the community mutual group

2015

ANNUAL REPORT

new heights | shared goals |

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DIRECTORS

Graham Olrich
Michael Fenech
Brian Goodall
Kate James
John O'Connor
Alison Sheridan
Geoffrey Thompson

CHIEF EXECUTIVE OFFICER

Kevin Dupé

COMPANY SECRETARY

David Munday

REGISTERED OFFICE

Suite 4, Technology Park
Madgwick Drive
Armidale, NSW, 2350
132 067

SOLICITORS

Wallmans Lawyers
400 King William Street
ADELAIDE SA 5000

BANKERS

Australian Settlements Ltd (ASL)
16 Thesiger Crt
Deakin, ACT, 2600

Australian and New Zealand
Banking Group Limited (ANZ)
Martin Place
Sydney, NSW, 2000

AUDITORS

KPMG
10 Shelley Street
Sydney, NSW, 2000

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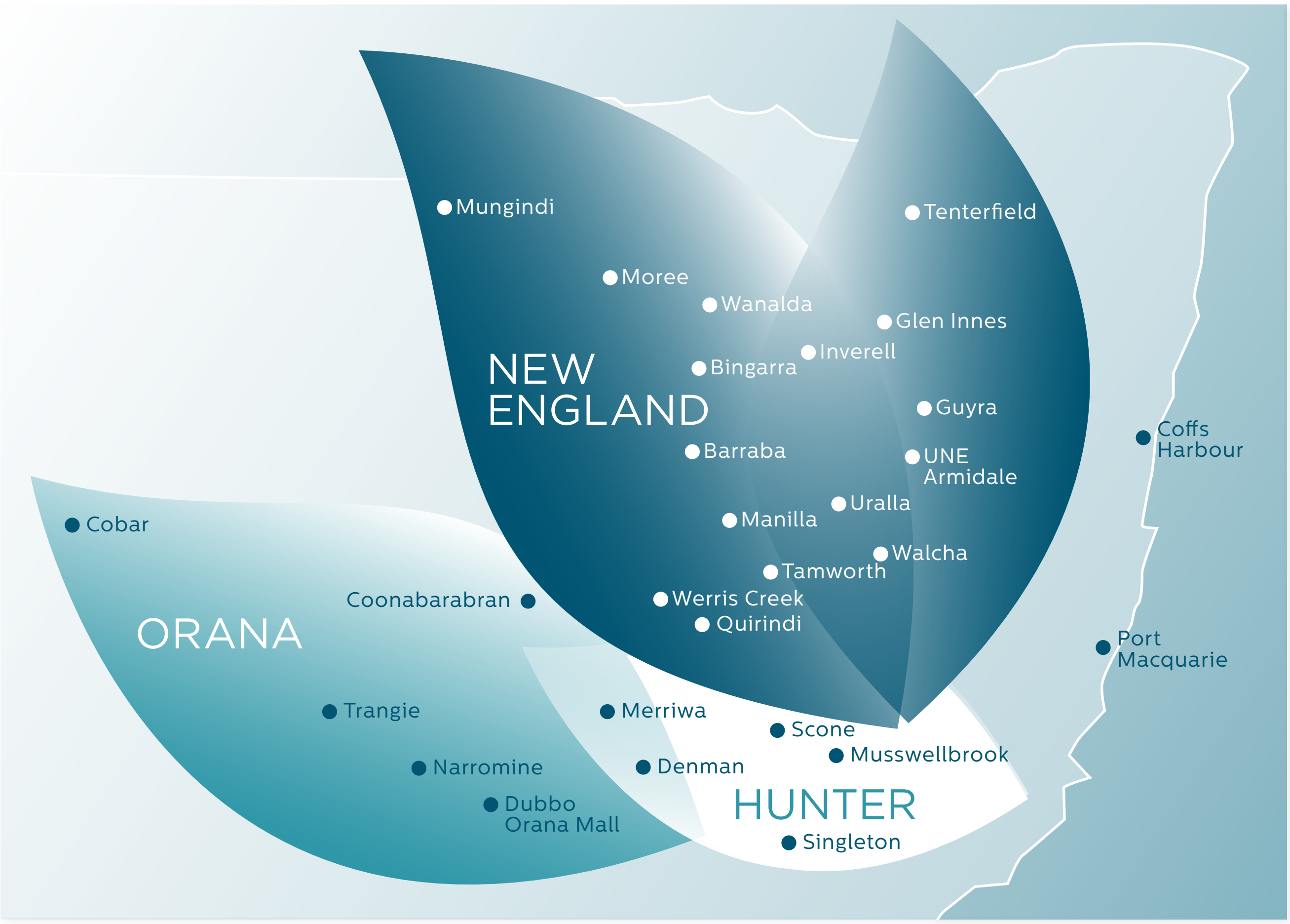


Community Mutual first opened its doors on the 15th of January 1970. Since that day, we have expanded through a series of new branch openings and mergers to become the largest customer owned financial institution in inland Australia, all the while maintaining our member focussed identity and responsibility to the communities in which we operate.

04 CHAIRMAN'S REPORT

With the Reserve Bank cutting rates to record lows twice in 2014-15 and consumer confidence flat, one could be forgiven for lowering our performance expectations in such a subdued economic climate. Yet it's particularly satisfying to advise that the performance of Community Mutual Ltd. (CMG) in 2014-15 has once again bucked this trend and produced another solid financial result.

The Board and Management team have set some challenging targets for this period and such achievements must be applauded. Our cost to income reduced from 80 per cent down to 78.3 per cent, while our Return On Assets (ROA) rose to 0.61 per cent compared to 0.57 per cent in 2013-14. As a result, CMG now finds itself consistently among the top 10 performing Mutual Banks, Credit Unions and Mutual Building Societies across Australia. This follows continued loan growth, 20 months of consecutive balance sheet growth and strong profitability in a difficult economic environment. However, financial performance only tells part of the story, and it's our members who remain the focus for our organisation. Pleasingly, member satisfaction increased from 97 per cent in 2013-14 to 99 per cent, with 94 per cent rating the overall quality of service as 'very good' or 'excellent'. This is a credit to the greatest of all our assets, our people.

The way that we interact with our members continues to evolve as we meet their demands for new products and services. This year we upgraded our internet banking platform and began work on a new mobile app which is schedule to launch in September. We upgraded and relocated our branches in Coonabarabran and Moree with an efficient, open plan and sustainable concept design. Our product portfolio has expanded to include a high interest savings account (Savings Booster) and a fee free online transaction account (eFree) for members under the age of 25. Members looking to purchase a new home may also benefit from our new 'no frills' Basic Home Loan, while our personal loans have been optimised and are among the most competitive in the country. Our personal loans are now recognised with five star ratings for 'outstanding value' from industry aggregators such as Canstar.

Importantly, our passion and commitment to our regional Australian communities remains as strong as ever. This commitment is no more evident than in the continued success of CMG's Community Partnership Program which has grown by a staggering 33% per cent, distributing $480,000 to grass roots community organisations across our network. In addition, we gave $270,000 through sponsorships to local community events and a further $20,000 of seed funding for small local

"AS A RESULT, CMG NOW FINDS ITSELF CONSISTENTLY AMONG THE TOP 10 PERFORMING MUTUAL BANKS, CREDIT UNIONS AND MUTUAL BUILDING SOCIETIES ACROSS AUSTRALIA."

infrastructure projects via our online 'inspiration engine' heartofourcommunity.com.au. It's rewarding to see numerous initiatives come to life with the support of this website, from things like; playgrounds, BMX facilities, heritage building restorations and bike safety parks.

The relationships we maintain with our members combined with the contribution we make to our communities helps to cultivate a truly unique culture within CMG. This is rewarding for all staff, including myself, as we continue on our journey to provide members with a genuine alternative to the investor run banks. This kind of culture contributes to improving staff engagement. It's great to see that our Employee Engagement scores remain above average for financial institutions in Australia and New Zealand (ave. 57 per cent), now up to 71 per cent, which is an increase from 63 per cent in the prior year and approaching best practice for any organisation.

Reflecting on my first year as Chairman, I am grateful for the support of my fellow Board members and the efforts of our CEO Kevin Dupé and his Executive Management team for their contribution to such positive results. We have embarked on a journey, one that is committed to delivering value through the relationships that we establish with our communities and the people and businesses that contribute to making them thrive. We maintain that if our regional communities are successful, then we too will be successful and we can continue to improve our offering to members over and above that of any other bank. To this end, I would like to thank the members for their continued support. Being member owned, we share common goals, and we hope to introduce the CMG banking proposition to converts across our region. I look forward to continuing the journey, taking the business to new heights and reporting more positive results for our organisation in the future.

Yours sincerely

Graham Olrich
Chairman

06 BOARD OF DIRECTORS

GRAHAM OLRICH

Chairman since 2014 –
Board Member since 2011

Graham brings a history of strategy, leadership, risk management and business development to the Board. He has over 38 years' experience in the banking sector, 14 of these served as CEO/ Managing Director of Credit Union Australia (CUA). Graham runs his own consulting business and has occupied various Board positions over the past 17 years. Key responsibilities on the Board include Ex Officio member of the Corporate Governance Committee, Audit Committee and Risk Committee.

MICHAEL FENECH*

Board Member since 2014

Michael brings a broad knowledge of risk management, leadership, and strategy to the Board in broad areas of financial services. Michael has over 34 years' of experience in the banking sector across Australia, operating in roles at Executive and Chief Executive level. Michael is actively involved as a consultant to many financial institutions and holds various Board positions. Key responsibilities on the Board include Chair of the Risk Committee and member of the Audit Committee.

* *Michael Fenech was appointed to the Board following the Annual General Meeting held on 21 November 2014*

BRIAN GOODALL

Board Member since 1997

Brian operates a Solicitor practice in Dubbo and Warren specialising in commercial and property matters. Key responsibilities on the Board include member of the Corporate Governance Committee and Risk Committee.

KATE JAMES

Board Member since 2008

Kate has experience in small business and corporate governance. She has participated in a number of agriculture and government related consultative committees. As a small business person and agricultural consultant she is well aware of the challenges that face small businesses, particularly in regional and rural areas. Key responsibilities on the Board include member of the Corporate Governance Committee, Audit Committee and Risk Committee.

From Left to right:
Brian Goodall,
Dr Alison Sheridan,
Michael Fenech,
Graham Olrich,
Geoffrey Thompson,
Kate James,
John O'Connor.

JOHN O'CONNOR

Board Member since 1974

John has extensive experience in local government engineering and management. Prior to joining the Board of New England Credit Union, John served on the Board of Peel Valley Credit Union for 30 years, with seven years as Chairman. Key responsibilities on the Board include being a member of the Corporate Governance Committee and Audit Committee.

DR ALISON SHERIDAN

Board Member since 2003

Alison has been involved in delivering management education for more than 25 years. Over this time, her teaching, research and consulting activities have developed with a particular focus on regional context. She has held a number of board positions in regional organisations over the past eleven years. Key responsibilities on the Board include Chair of the Corporate Governance Committee and member of the Risk Committee.

GEOFFREY THOMPSON

Board Member since 2008.

Geoff is a partner in a successful Accounting firm and has significant experience in providing specialised business advice to some of the Hunter Valley's most significant businesses. Key responsibilities on the Board include Chair of the Audit Committee and member of the Risk Committee.

MICHAEL DENNIS*

Board Member since 1995

Michael brought a legal and regulatory background to the Board. A qualified Solicitor, he served on the Board for over nineteen years, the last ten as Chairman. Key responsibilities on the Board were Ex Officio member of the Corporate Governance Committee and the Audit and Risk Committee.

* *Michael Dennis (not pictured) retired from the Board following the Annual General Meeting held on 21 November 2014.*

08 EXECUTIVE MANAGEMENT

ROB HALE
Chief Information Officer

Rob joined CMG in 2010, having previously worked for organisations such as Morgan Stanley, SAI Global and the University of New England. Originally from Newcastle in the UK, Rob has qualifications in Computer Studies, Data Warehousing, Business Intelligence and Project Management. Rob brings 28 years in international IT and information management to the CIO position.

DARREN SCHAEFER
Chief Marketing Officer

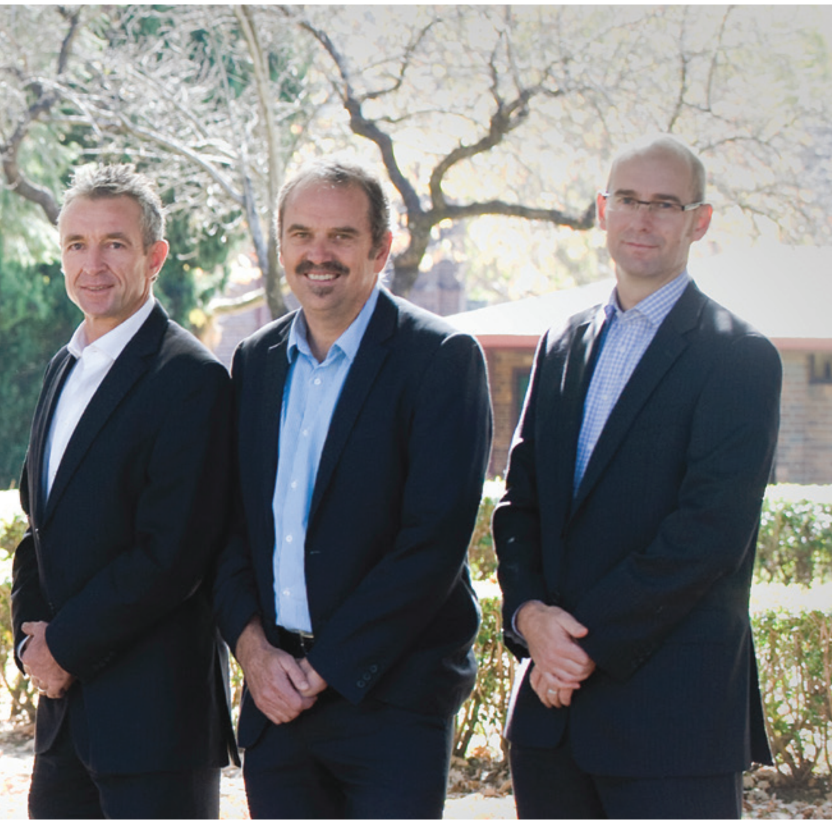
Darren brings extensive Marketing experience to the Executive Management team. Prior to his role at CMG, Darren held senior marketing and advertising positions for a number of blue chip firms in Australia and the UK.

CAMPBELL NICOLL
Chief Risk Officer

Having 17 years' experience in Credit Risk Management, Campbell brings a strong background to the Executive Management Team. Prior to his role at CMG, Campbell's experience within the financial sector include General Manager Positions at ASB Bank (New Zealand) and Bank of South Pacific (Fiji).

KEVIN DUPÉ
Chief Executive Officer

Kevin brings a strong economic background to the Credit Union. Kevin has over 20 years' experience in the Mutual sector, including 18 years at CMG. Prior to entering the Mutual sector, Kevin spent 14 years as a Director in various economic and socio-economic policy units in the Federal Government.



From Left to right:
Rob Hale,
Darren Schaefer,
Campbell Nicoll,
Kevin Dupé,
Michelle Edmonds,
David Munday,
Bill Miller,
James Harris.

MICHELLE EDMONDS
Chief Operating Officer

Michelle brings a well-rounded wealth of knowledge to the Executive Management team. She has over 20 years' experience in the financial sector, 17 of these spent in various management roles within CMG.

DAVID MUNDAY
Chief Governance Officer / Company Secretary

David has over 13 years' experience in the Mutual sector, providing a broad knowledge of company secretarial, governance, risk and compliance processes and practices.

BILL MILLER
Chief Member Service Officer

Bill brings 39 years' experience in banking and finance to the Executive Management team. Prior to joining CMG, Bill held managerial positions with Colonial State Bank and the Commonwealth Bank.

JAMES HARRIS
Chief Financial Officer

James has 20 years financial experience in the financial services, training and hospitality industries in Australia, Europe and North America. James holds professional qualifications in accounting and finance.

INTRODUCTION

THE COMMUNITY MUTUAL GROUP IS DEEPLY CONNECTED TO ITS COMMUNITIES IN REGIONAL AUSTRALIA BECAUSE WE ARE WHOLLY OWNED BY REGIONAL AUSTRALIAN'S. AS A CUSTOMER OWNED BANKING INSTITUTION WE UNDERSTAND THE CONNECTIVITY BETWEEN EACH OTHER, OUR COMMUNITIES AND THE ENVIRONMENT.

We exist to ensure the financial well-being of our members and the sustainability of their communities. It is these needs that drive our business goals and we have adopted a balanced approach when measuring our business performance. It's not just about the financial metrics; we also take into account our relationships and performance with our people (staff and members), our environment, and the communities in which we operate.

In recognition of the challenges that we face as a business, we have developed a holistic approach to strategy that acknowledges the connectivity of business imperatives and seeks to create value across a variety of strategic metrics using a balanced scorecard. Under this scorecard, milestone objectives have been set for the following: Member; People; Financial; Process and Corporate Social Responsibility (CSR). All seek to ensure performance is achieved across the organisation, and service and social dividends are delivered for members and their communities.

We actively seek to create a shared value for all connected with our institution. It's our values based banking approach, and for the purposes of communication, our milestones are described under the 'triple bottom line' performance categories of: People, Planet and Performance.

IT'S OUR VALUES BASED BANKING APPROACH, AND FOR THE PURPOSES OF COMMUNICATION, OUR MILESTONES ARE DESCRIBED UNDER THE 'TRIPLE BOTTOM LINE' PERFORMANCE CATEGORIES OF: PEOPLE, PLANET AND PERFORMANCE.

PEOPLE

DELIVERING MORE VALUE TO MEMBERS WHILST BUILDING A VALUES BASED PERFORMANCE CULTURE.

MEMBER GOALS

MEMBER GOAL: TO DELIVER MORE VALUE TO MEMBERS

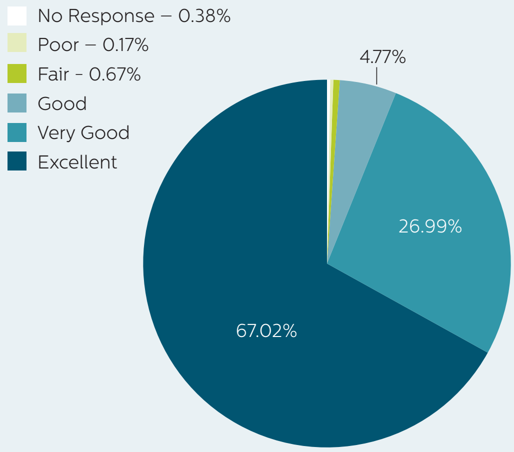
Result: Achieved

Our members are our first priority. We aim to provide a superior level of member value by continuing to offer quality service and competitive products. We encourage member participation, and seek to make a genuine connection by fostering better banking relationships that saves them time, effort and money.

MAINTAIN MEMBER SATISFACTION > 90%

Result: Achieved

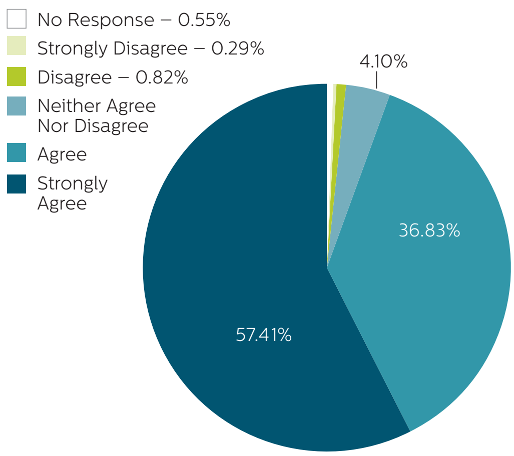
- In the 2014-15 Annual Member Survey, 94% of respondents rated CMG's overall quality of service as 'Very Good' or 'Excellent', with 99% of respondents rating 'Good' or better.



REDUCE MEMBER EFFORT

Result: Achieved

- Member effort is designed to provide feedback about the experience a member has had interacting with CMG. A recurrent (and random) 'member effort' survey question has been automated in Internet Banking and included on the Annual Member Survey. In 2013-14 a baseline was established and 92% of respondents either agreed or strongly agreed with the statement that "The Community Mutual Group makes my banking easy". In 2014-15 this increased to 94%.



COMPETITIVE PRODUCT PORTFOLIO

- This year we introduced a high interest savings account; the 'Savings Booster', and a fee free online transaction account; the 'eFree', for members under the age of 25.
- Our Home Lending portfolio has been expanded to include the new no frills 'Basic Home Loan'; and,
- Our personal loans have been modified and recognised with five star ratings for 'outstanding value' from comparison websites.

CONTEMPORARY BRANCH NETWORK

- The relocation of branches in both Coonabarabran and Moree have enabled us to continue our efforts to enhance the customer experience with efficient, open plan and sustainable branch concepts that seek to better cater for customer needs via a variety of self-service options.

STAFF GOALS

STAFF GOAL: BUILD A CULTURE TO SUPPORT ORGANISATIONAL STRATEGY

Result: In Progress

At CMG we are working towards having; high employee engagement, a compelling employer brand, effective leadership and a high performance culture that ultimately translates into a more productive workforce. Importantly, it's critical that this culture aligns to our values of Integrity, Respect and Fairness. We believe that a high performance culture exists when everyone in our organisation shares the same vision, they trust each other and value each other's contribution. We believe it is important to attract and retain talented staff to support our culture and proudly represent the communities we work in.

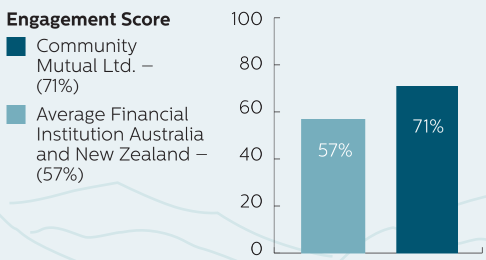
CMG staff Tour de Rocks participants celebrate completing the first day of riding from Armidale to South West Rocks to help find a cure for cancer.

EMPLOYEE ENGAGEMENT ≥ 63%

Result: Achieved

CMG's work in developing high employee engagement continues, with our annual Employee Engagement Survey being completed for the second time. An exceptionally pleasing increase in employee engagement resulted, with CMG's score rising from 63% to 71% over the year. This result places CMG in the top quartile for Australian and New Zealand financial institutions. Additionally, this result is significantly higher than the average for Banks and Diversified Financials in Australia and New Zealand (57%).

Importantly, the engagement survey showed that 82% of employees would recommend CMG as an employer to a friend, while 79% of our employees would say great things about working at CMG.



Source: AON Hewitt

STAFF GOALS

cont.

VOLUNTEER HOURS = 16 HRS PER FTE

CMG's employees genuinely love being an important part of their communities. Each staff member is entitled to 16 hours of paid volunteer leave per year to assist within their community. This year, collectively, our staff donated a total of 470 working days to local community initiatives. Our engagement survey revealed that 91% of staff believe that CMG is a socially and environmentally responsible organisation, while 89% of our employees responded that they are proud to be part of this organisation. This result is only 2% below the Australian and New Zealand Best Practice organisations (91%).

EMPLOYEE ASSISTANCE PROGRAM

CMG is committed to the provision of an Employee Assistance Program (EAP), developed to support our employees in their personal or professional lives. Our EAP provides access to assistance to help with matters including, but not limited to, dealing with change, relationship issues, personal trauma, family difficulties, financial concerns, health matters, alcohol or substance abuse, gambling or other addictions and coping or dealing with grief and loss. This EAP is available to all employees and is confidential.

LEARNING AND DEVELOPMENT

CMG offers a range of development opportunities for employees. Learning and Development at CMG covers a broad range of content including Leadership, Member Service, Compliance, Lending and Product Training. All training developed at CMG is based on our Organisational Values and high performance. Additionally, CMG offers approved study assistance and study leave for employees wishing to undertake further study that aligns with business needs. Employees continued professional development and currency of training is maintained by an annual training calendar, with completion of training monitored and reported. Students within our communities also may have the opportunity to complete either work experience or school based traineeships through CMG, as a way of gaining an understanding of the financial services industry. Our teams attend career expos and school career days to support and promote work experience programs throughout our network.

PLANET

BECOME A LEADER IN CORPORATE
SOCIAL RESPONSIBILITY

PLANET GOALS

CMG Regional Manager Dane O'Connor (right) receiving the Sustainability Advantage Bronze Recognition on behalf of Community Mutual Group from NSW Minister for Environment & Heritage, Hon Mark Speakman.

OUR SUSTAINABILITY VISION

Our vision is that Community Mutual will define what it means to be; at *the heart of our community*. We will celebrate being regional, and demonstrate what the added value of being more connected to each other can bring to our customers, our communities and the environment. The success of our business will be determined by how well we extend compassion, and share our passion to be the champions for regional prosperity. We will be a beacon – a regionally owned and operated 'community chest,' that will be a conduit for connecting people and a model for creating better and more sustainable places to live.

OUR SUSTAINABILITY POSITION

The Community Mutual Group is deeply connected to its communities in regional Australia because we are wholly owned by regional Australian's. This ownership means that we understand the connectivity between each other, our communities and the environment. Our goal is to be a recognised leader in Corporate Social Responsibility, and we demonstrate this through our own conduct and approach managing our environmental impact, as well as inspiring and empowering our customers to make ethical decisions. To this end, we aim to ensure the long term prosperity of our customers and our communities. Responsible financial management teamed with strong environmental credentials means that our customers take comfort in knowing that we do not lend to, or invest in mining industries. Instead, we prefer to focus on investing in clean technologies while minimising our own impact on the environment, and maximise our social input and returns to our regional communities.

PLANET

"OUR VISION IS THAT COMMUNITY MUTUAL WILL DEFINE WHAT IT MEANS TO BE; AT THE HEART OF OUR COMMUNITY."

GOAL: TO BECOME A LEADER IN CORPORATE SOCIAL RESPONSIBILITY

Result: Achieved

Our initiatives, programs and support continue to adapt to the ever-changing environment and business landscape; substantially contributing to the environment and the communities in which we exist. Our ongoing commitment and passion is reinforced by our grassroots approach to regional Australian communities. The effectiveness of the countless initiatives undertaken to minimise our environmental footprint can be reflected in our progression in the Sustainability Advantage Program, soon to be eligible for a Silver accreditation.

ENVIRONMENTAL ACHIEVEMENTS

- Established a 'Green Team' composed of select staff members who will be responsible for governance and championing sustainable initiatives throughout our network.
- Major supporter of Macquarie Riversmart and the Wetland Education program in Narromine which educates communities about the river, its ecosystems and the importance of its preservation.
- Proud supporter of Z-NET in partnership with Starfish Initiatives; a pioneering initiative designed to make the town of Uralla the first in Australia to meet all of its own energy needs from renewable sources.
- Continued involvement with the Northern Inland Sustainability Business Network (NISBN).
- For every member that switches to Online Statements, we donate $1 to Landcare NSW that is distributed amongst local Landcare groups. To date, we have donated almost $12,000, which has benefited various conservation, biodiversity and education based programs vital to the future health of our local environments.
- Supporter of Citizens Wildlife Corridors, Sustainable Living Armidale, Northern Tablelands Wildlife Carers and the Armidale Tree Group.

PLANET GOALS

2014-2015 CARBON EMISSIONS REPORT

Since setting our baseline carbon emission figures in 2010-11 we have reduced our carbon emissions by over 25%, equating to a decrease of 411 tonnes annually over 5 years. Whilst our fuel usage has increased in the 2014-15 financial year, we have reduced our paper and electricity usage and we reduced our solid waste to landfill. We estimate 98% of paper purchased for the business is certified to be sourced from renewable forests.

The increase in fuel usage can be linked with our workplace transformation. The introduction of a team of Home Lending Specialists and Business Development Managers has required more face-to-face training at head office in the short term as we upskill our staff. The extension of our network with sales offices operating in Port Macquarie and Coffs Harbour has also increased our travel requirements. We have however completed a review of our fleet vehicles and this resulted in moving to a more fuel efficient model of vehicle as we continue to find ways to minimise our carbon footprint.

2014-2015 CARBON EMISSIONS

Cause of Emission	Carbon Emissions (tCO_2-e)
Road Travel	105
Air Travel	57
Electricity Consumption	1013
A3/A4 Paper Purchased	11.34
Waste to Landfill	9.29
Total	**1195.63**

COMPARISON OF CARBON EMISSIONS TO BASELINE DATA (TONNES)

2010 - 2011	1606
2011 - 2012	1479
2012 - 2013	1286
2013 - 2014	1017
2014 - 2015	1195

2014-2015 CARBON EMISSIONS

Cause of Emission	2010-11 (baseline)	2011-12	2012-13	2013/2014	2014/2015	Net Saving %
Paper (KG's)	12500	9995	7531.1936	9772	8730.4	10.66
Power (kWh)	1302928	1193729	1209557	974020	955564	1.89
Fuel (surface litres)	35040	37027	44309	36005.34	41671	-15.74
Fuel (Air KM)	250527	235554	229460.95	201717.99	202403.22	-0.34
Approximate Solid Waste to Landfill (tonnes)	12	12	10.25	9.53	9.29	2.52

Recycling used bank cards into guitar picks is just one of the practices that has earned CMG a Bronze Award from the NSW Government's Sustainability Advantage Program. Thousands of the picks have been distributed to local schools around the region.

SOCIAL ACHIEVEMENTS

COMMUNITY SUPPORT PROGRAM (SPONSORSHIP & DONATIONS)

In the last 12 months CMG has fulfilled its commitment to donate no less than 5% of profit to local community groups. In doing so, over 300 community organisations benefited from more than $270,000 in sponsorships and donations, including: grass roots sporting, arts, education, employment, environmental, indigenous/cultural, and health related initiatives.

COMMUNITY PARTNERSHIP PROGRAM (CPP)

Each year, CMG provides essential support to community groups as part of our Community Support Program. The CPP is a suite of access savings accounts that come with a guarantee that CMG will reward a nominated community group with an annual bonus payment. Over the past year the CPP has seen a phenomenal growth of 33% to over $480,000. This directly benefits grass roots community organisations around our network.

PLANET GOALS

cont.

New England Mutual Autumn Festival Criterium

SOCIAL ACHIEVEMENTS *cont*

HEARTOFOURCOMMUNITY.COM.AU

Our 'inspiration engine' heartofourcommunity.com.au continues to perform as an outlet for regional towns and cities to suggest ways to improve their communities. 'Heart of our Community' brings individuals, organisations and communities at large together to achieve common goals.

This year has seen numerous ideas come to life and new ideas gaining incredible traction in their respective communities. Moree BMX Club are looking to upgrade their canteen, toilets, lights and the track surface so they can cater for their regular weekly club meets and hold more events such as inter-club meets and state titles which will bring visitors to their town. The 'Learn to Ride' bike safety tracks being designed in Manila and Aberdeen aim to provide a vital service and a safe environment for parents and community members where children can safely learn to ride bicycles and become familiar with road rules. Both have garnered strong community support and have received 'in principle' support from their local councils after being uploaded to the Heart of our Community site.

We have also contributed to the construction of what is thought to be the largest community built playground in Regional NSW; the Tamworth Adventure Playground which is due to be opened in November 2015.

M.A.D. AT HEART SHORT FILM CHALLENGE

We partnered with the North West Film Festival to celebrate the storytelling power of film. The competition saw entries from schools and TAFE Colleges throughout our region explore the question "What could make a difference in your community?" in the form of creative digital and analogue screen media. The winning entries received prize money, whilst CMG also donated money to the community organisation that featured in the winning films. Winning entries were shown on the big screen in a gala screening at the Old Roxy Theatre in Bingara.

PERFORMANCE

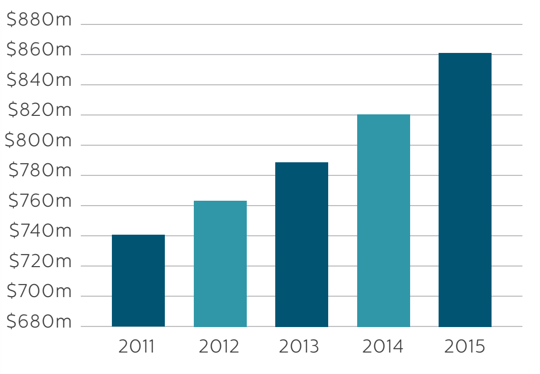
BE FINANCIALLY SUSTAINABLE ALLOWING DELIVERY OF GREATER VALUE TO MEMBERS INTO THE FUTURE.

PERFORMANCE

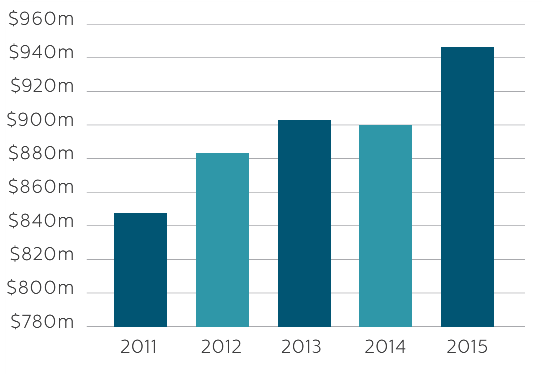
GOAL: BE FINANCIALLY SUSTAINABLE ALLOWING DELIVERY OF GREATER VALUE TO MEMBERS INTO THE FUTURE.

Result: Achieved

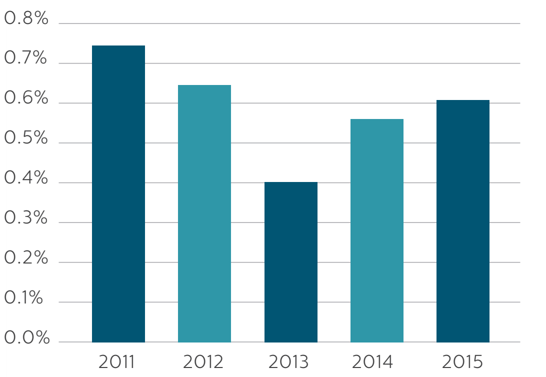
$860m
MEMBER LOANS



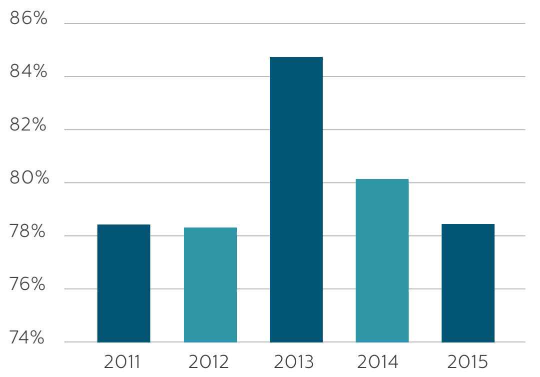
$947m
MEMBER DEPOSITS



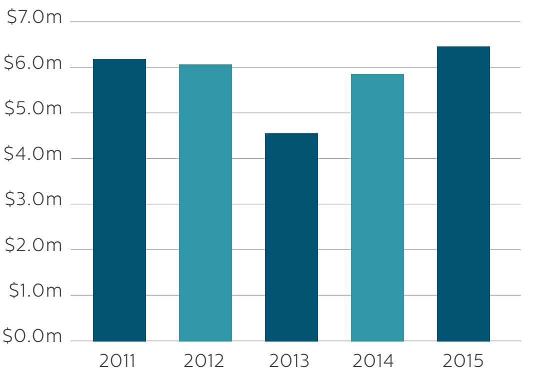
0.61%
RETURN ON ASSETS



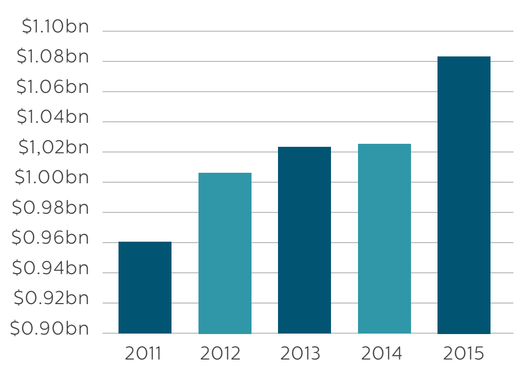
78.3%
COST TO INCOME %



$6.4m
NET PROFIT (AFTER TAX)



$1.084bn
TOTAL ASSETS



“WE HAVE A STRATEGIC COMMITMENT TO ENSURE THAT WE CREATE AND EMBED WORK PROCESS INITIATIVES THAT ENSURE A MINIMAL AMOUNT OF EFFORT FOR BOTH STAFF AND MEMBERS.”

GOAL: CREATE AND EMBED PROCESSES THAT ENABLE LOW EFFORT FOR ALL USERS

Result: In Progress

At CMG, we have a strategic commitment to ensure that we create and embed work process initiatives that ensure a minimal amount of effort for both staff and members. In 2014-15, CMG continued to improve our ability to respond to members by:

i. speeding up the process for authenticating applicants for credit approval online;

ii. streamlining of loan processing to ensure a responsive turnaround time for applicants; and

iii. enhance capability in producing, distributing and storing member documentation so as to reduce duplication costs and improve member relationships.

CORPORATE GOVERNANCE STATEMENT

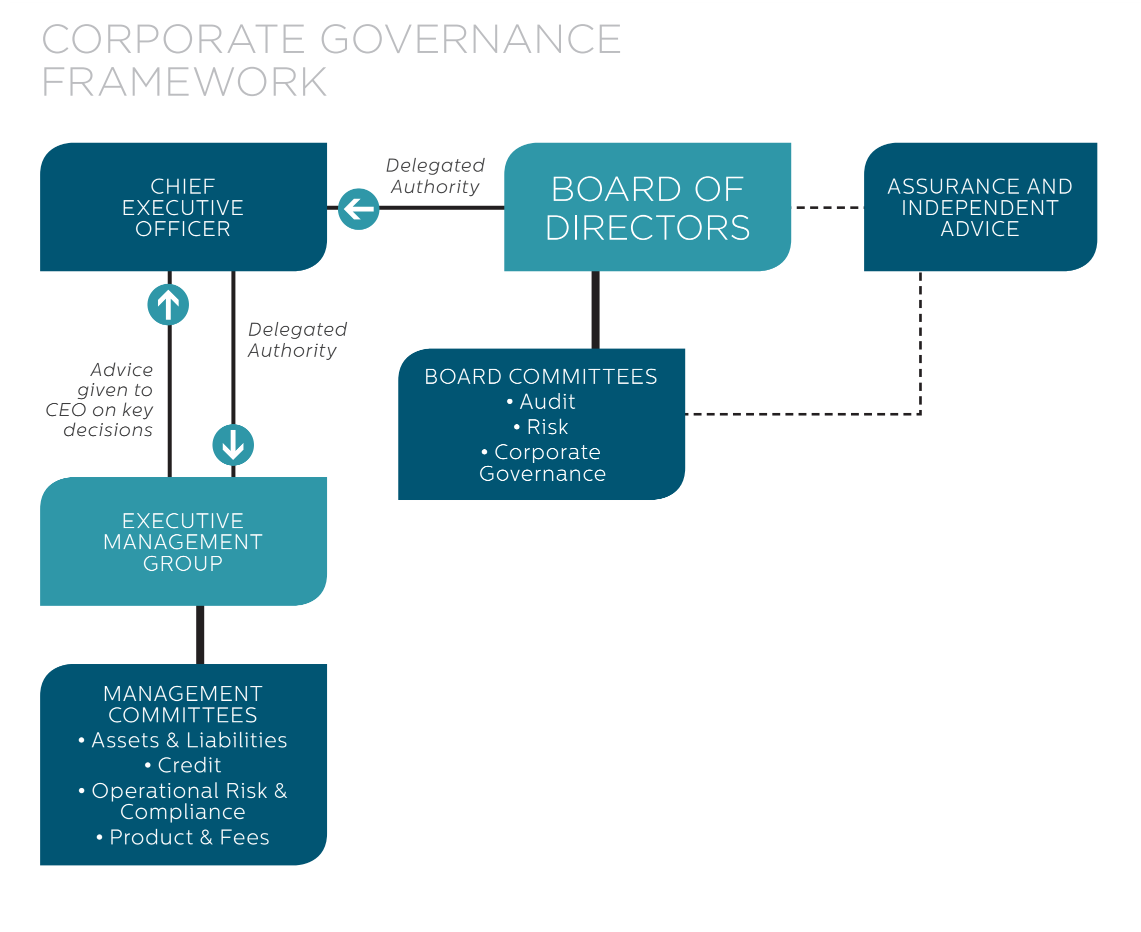
APPROACH TO CORPORATE GOVERNANCE

The Board of Community Mutual Ltd (CMG) places great importance on its governance framework to ensure it is the trusted banking provider in our communities. CMG's Corporate Governance Framework has been developed to support its member focused strategic plan, whilst ensuring a clear structure of oversight of key controls. These factors enable CMG to operate, in an effective manner, with prudent risk taking functions that are core to our business.

The Board, and each employee, have a responsibility for upholding CMG's values and behaviours which underpin operational activities, provide transparency and protect members' interests: Integrity, Respect, and Fairness. These values embrace CMG's governance principles and assist with ensuring behaviours are directed towards leading practice.

The guidelines and foundations of good corporate governance by which CMG operates are set out by the Australian Prudential Regulation Authority (APRA) and the Australian Securities Investment Commission (ASIC). Guidelines such as the "ASX Corporate Governance Principles and Recommendations" also assists with shaping our practices to ensure a fit for purpose approach is followed.

The corporate governance framework under which CMG operates is outlined as follows:



FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As the governing body of CMG it is the responsibility of the Board to ensure that the foundations for management and oversight are established and operating effectively.

ROLE OF THE BOARD

CMG's Constitution outlines the powers of the Board. The Board's role and responsibilities are set out in the Board Corporate Governance Policy which acts as the Board's Charter. In adopting the corporate governance framework, the Board has a range of policies which detail specific roles and responsibilities, delegations, operation and performance of the Board.

The role and responsibilities of the Board include:

- establishing with management and approving the strategic direction and major initiatives to ensure the success and sustainability of the business;
- monitoring financial performance and maintaining a direct and ongoing dialogue with CMG's auditors;
- overseeing the development of the risk management framework including defining, setting, monitoring and reviewing CMG's risk appetite and risk management strategy;
- monitoring compliance with regulatory and statutory requirements and the implementation of associated policies;
- establishing and monitoring CMG's values, culture, reputation and ethical standards;
- overseeing the development of the corporate governance framework; and
- appointing and reviewing the performance of the Chief Executive Officer (CEO).

To ensure the CMG Board is well equipped to discharge its responsibilities, CMG has established guidelines based around skills, knowledge, experience and values for the nomination and selection of Directors and for the operation of the Board. The Board carries out the legal duties of its role in accordance with the values of Integrity, Respect, and Fairness.

Meetings of the Board are held regularly with Board committees meeting as often as required to carry out their respective functions. The Board has delegated day to day management of CMG to the CEO. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment and accountability.

REVIEW OF PERFORMANCE

The Board has established an annual performance review process which is designed to assess the performance and effectiveness of the Board as a whole, its committees and individual directors.

The CEO has a similar structured process which periodically evaluates the performance of each individual Executive Manager.

CORPORATE GOVERNANCE STATEMENT

STRUCTURING THE BOARD TO ADD VALUE

The Board ensures that, collectively, Directors have a broad range of relevant financial, industry experience and other skills, and expertise to meet CMG's strategic objectives.

The composition of the Board and the election of Directors are determined in accordance with CMG's Constitution, and other statutory and regulatory requirements as apply from time to time. The Board is able to appoint two directors at their discretion, allowing the Board the flexibility to be able to source appropriate skills and expertise onto the Board from time to time.

The Corporate Governance Committee has been delegated responsibility to review and make recommendations to the Board regarding Board composition, and to assist in the Director nomination process. The Board requires that each of its Directors and Executive Management undertake fit and proper character assessments to ensure compliance with APRA's Prudential Standard CPS 520 Fit and Proper.

Details of the Directors experience and qualifications are set out in the Directors Report.

BOARD COMMITTEES

The Board is responsible for committee composition, structure and functions. To assist it in discharging its responsibilities and oversight of the business, the Board has established a number of committees. These committees consist of the Audit Committee, Corporate Governance Committee and the Risk Committee. Throughout the year the Board operated a combined Audit & Risk Committee which was disbanded on 1 January 2015 to form separate Audit and Risk Committees.

Membership of these committees is set out below.

BOARD COMMITTEE MEMBERSHIP

Director	2014 Audit & Risk*	2014–2015 Corporate Governance	2015 Audit#	2015 Risk#
Graham Olrich	Member & Chair	Ex-officio Member	Ex-officio Member	Ex-officio Member
John O'Connor		Member	Member	
Brian Goodall	Member	Member		Member
Geoffrey Thompson	Member	Member	Member & Chair	
Kate James	Member	Member	Member	Member
Alison Sheridan		Member & Chair		Member
Michael Fenech^			Member	Member & Chair
Michael Dennis^^	Ex-officio Member	Ex-officio Member		

* *The Audit & Risk Committee operated from 1 July 2014 – 31 December 2014*
\# *The Audit Committee and Risk Committee operated from 1 January 2015 – 30 June 2015*
^ *Michael Fenech was appointed to the Board following the Annual General Meeting held on 21 November 2014*
^^ *Michael Dennis retired from the Board following the Annual General Meeting held on 21 November 2014*

Each of the Board committees operates within its own terms of reference which set out matters relevant to the composition and responsibilities of that committee.

The Board and its committees are structured to ensure that they are of a size that facilitates effective and efficient decision making; comprise Directors with a broad range of skills and experience from a diverse range of backgrounds appropriate to CMG's business; and that the Board Chairman and the Audit Committee Chairman are independent Directors.

AUDIT COMMITTEE

The Audit Committee assist the Board in fulfilling its statutory and fiduciary duties. The committee provides an objective review of the reporting of financial information and the internal control environment, including an understanding of the financial, tax and accounting risks.

The Audit Committee's Terms of Reference are to:

- review monthly financial reports and make recommendations to the Board on significant accounting and financial policies;
- review compliance with APRA statutory reporting requirements;
- recommend the appointment, and where necessary, the removal of the external and internal auditor;
- review the reports on the findings of the audits and ensure that issues are being managed and rectified in an appropriate and timely manner; and
- reviewing the audit plans, scope of work, reports and activities of the External Auditor, Internal Auditor and CMG Assurance Team to ensure they cover all material risks and financial reporting requirements.

The Internal Auditor and the External Auditor are both invited to attend meetings at the discretion of the committee.

The committee currently holds meetings as required.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is designed to assist the Board in ensuring that CMG operates in accordance with a clear, consistent and effective corporate governance framework that conforms to CMG's legal and governance obligations and the required standards of corporate behaviour as determined by the Board.

The Corporate Governance Committee's Terms of Reference are to:

- assess all persons, including existing Directors, prior to their appointment or election as a Director as to their fitness and propriety and make recommendations to the Board on candidates for appointment as Director;
- coordinate the annual Board and Director performance assessment process;
- make recommendations to the Board with regard to succession planning for the positions of Chairman, Director and CEO;
- evaluate the adequacy and effectiveness of the Corporate Governance Framework and review and recommend to Board the governance policies;
- make recommendations to the Board on Director and CEO remuneration, as well as the remuneration packages of the direct reports to the CEO;
- ensure there is an induction / orientation and education program for new Directors and to make recommendations on opportunities to improve Directors' knowledge and skills;
- evaluate and review plans on succession planning for Board positions; and
- review adherence to CMG's legal responsibilities.

The committee holds meetings as required.

CORPORATE GOVERNANCE STATEMENT

RISK COMMITTEE

The Risk Committee is designed to be an efficient and effective mechanism to bring the transparency, focus and independent judgement needed to oversee the risk management framework

The Risk Committee's Terms of Reference are to:

- evaluate the adequacy and effectiveness of the risk management framework and review and recommend to the Board financial risk management policies around operational risk, credit risk and financial risk;
- establishing an enterprise-wide view of CMGs current and future risk position relative to its risk appetite and capital strength; and
- constructively challenge management's proposal's and decisions on risk management and evaluate whether management is setting an appropriate internal control culture.

DIRECTORS' INDEPENDENCE

APRA's Prudential Standard CPS 510 on governance mandates that Authorised Deposit Taking Institutions (ADI's) must have a majority of independent Directors at all times. All of the Directors of CMG serve in a non-executive capacity and the CMG Board has adopted specific principles in determining Directors' independence.

The Board assesses independence annually in accordance with its Governance Policy, requiring each Director to disclose all information that could reasonably be considered to influence their capacity to act as an independent Director. Throughout the financial year all current Directors have been assessed as being independent.

ACCESS TO INDEPENDENT INFORMATION AND ADVICE

In order to fulfil their responsibilities the Board collectively, and each Director individually, has the right to seek independent professional advice whenever it is considered necessary. Individual Directors may seek independent professional advice on any matter connected with the discharge of their responsibilities to ensure they exercise their objective, unfettered and independent judgement.

In addition, the Board and each committee, at the expense of CMG, may obtain relevant professional advice, as required, to assist in undertaking its role. All Directors have unrestricted access to records and information of CMG to assist with discharging their fiduciary duty.

ACTING ETHICALLY AND RESPONSIBLY

The Board, CEO, Executive Management and all employees are responsible for adhering to, and promoting, high standards of ethical behaviour and decision making.

CODE OF CONDUCT

In carrying out its role, the Board operates in accordance with approved governance policies and in a manner reflecting CMG's values and behaviours. The Board has developed a Code of Conduct which applies to everyone at CMG. This code is reviewed annually to ensure it reflects the highest level of behaviour and practices and provides a guideline for the standards of ethical behaviour and decision making expected to be displayed by all CMG employees.

The Code of Conduct details standards and expectations around behaviour to ensure that the highest standards are maintained and CMG's reputation enhanced.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and CMG's Constitution, each Director must ensure that no action or decision is taken that places their interest in front of the interests of CMG. Directors are required to disclose to the Board any material contract in which they may have an interest.

The Board has established a clear framework for the handling of actual or potential conflicts of interest with respect to the activities or decision-making responsibilities of CMG's Directors and Executive. In order to ensure that such conflicts are properly identified and managed, all CMG Directors are required to disclose any conflict of interest (whether actual or potential).

MANAGEMENT DELEGATION

The Board has delegated authority to achieve CMG's strategic objectives to the CEO. The CEO who is responsible for day-to-day leadership and management of CMG's business activities and implementation of Board-approved strategies, policies, resolutions and directions.

As a key operation of the corporate governance framework to ensure responsible decision making, the CEO has developed an approvals framework where management committees make recommendations to the CEO in relation to operational matters. Delegations from the CEO to management are clearly documented. They are designed to accelerate decision-making and to improve efficiency in member service and experience.

WHISTLEBLOWER PROTECTION

CMG has a commitment to fostering a culture of risk management and compliance, ethical behaviour and good corporate governance. CMG's whistleblower protection policy enables individuals to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

REMUNERATE FAIRLY AND RESPONSIBLY

The Board, through the oversight of the Corporate Governance Committee, is responsible for remuneration practices that assist in attracting and retaining executive and other individuals who are critical to CMG's success.

It is CMG's objective to provide maximum member benefit from the retention of a high quality Board and Executive Management team by remunerating fairly and responsibly by reference to prevailing market benchmarks and performance.

In accordance with the requirements of APRA's Prudential Standard CPS 510 on governance, CMG has a framework for managing approval of remuneration for Board, the CEO, Executive Management and other individuals that are responsible for managing financial performance and risk management. The Board regularly undertakes an independent review of remuneration to ensure that remuneration practices are prudent and consistent with market practices.

CORPORATE GOVERNANCE STATEMENT

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board of CMG is committed to ensuring that the financial reports present a true and fair view and are constructed in accordance with applicable accounting rules and policies.

The Board, through the responsibility of the Audit Committee, maintain a close focus to ensure the external auditor is independent and serves members interest by knowing the true financial position of CMG.

RECOGNISE AND MANAGE RISK

The CMG Board has responsibility for overseeing the establishment and ongoing monitoring of risk management systems and frameworks and for setting CMG's risk appetite and overseeing risks inherent in CMG's business.

The Board has delegated to the CEO the responsibility for implementing a system of internal controls to identify and manage these risks.

Each Executive Manager is accountable to the CEO, through the signing of declarations, that the systems of risk management and internal controls under their respective business areas operates effectively to manage the risks CMG poses in its business operations.

There are established policies for oversight and management of material risks. These are embedded as controls to manage CMG's material business risks. Further explanatory notes on the management of risk are included throughout the financial report.

FINANCIAL REPORT

2014–2015

FINANCIAL REPORT

DIRECTORS REPORT

Your Directors present their report together with the consolidated financial statements of Community Mutual Ltd ("CMG") and the CMG Funding Trust No.1 ("the Trust") for the financial year ended 30 June 2015 and the auditor's report thereon.

CMG is a public company registered under the Corporations Act 2001 (Cth).

The Trust is a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by CMG for the year ended 30 June 2015 (together referred to as the "Group").

INFORMATION ON DIRECTORS

The names of the Directors in office at any time during the year are:

Name	Qualifications	Position	Experience and Special Responsibilities
Graham Olrich	Dip FS, Dip FS (Credit Union Directorship), FAICD, FAMI	Non-Executive Director	• Director since 2011 • Chairman since November 2014 • Chair Audit & Risk Committee • Ex-officio Member Audit Committee • Ex-officio Member Corporate Governance Committee • Ex-officio Member Risk Committee
Alison Sheridan	BAgEc (Hons) (Syd), PhD (UNE), GAICD	Non-Executive Director	• Director since 2003 • Member & Chair of the Corporate Governance Committee • Member of the Risk Committee
Geoff Thompson	BFin Admin, FCA	Non-Executive Director	• Director since 2008 • Member Audit & Risk Committee • Member & Chair of the Audit Committee • Member of the Corporate Governance Committee
Michael Fenech *Appointed as Director 21/11/2014*	B.Ec	Non-Executive Director	• Director since 2014 • Member & Chair of the Risk Committee • Member of the Audit Committee
John O'Connor	LGE, Grad Dip Mgmt & Bus Admin	Non-Executive Director	• Director since 1974 • Member of the Corporate Governance Committee • Member of the Audit Committee
Brian Goodall	B.Ec LLB, GAICD	Non-Executive Director	• Director since 1997 • Member Audit & Risk Committee • Member of the Risk Committee • Member of the Corporate Governance Committee
Kate James	BRurSci (UNE), GAICD	Non-Executive Director	• Director since 2008 • Member Audit & Risk Committee • Member of the Audit Committee • Member of the Risk Committee • Member of the Corporate Governance Committee
Michael Dennis *Retired as Director 21/11/2014*	BLegs (Macquarie)	Non-Executive Chairman	• Director since 1995 • Chairman since 2006 • Ex-officio Member Audit & Risk Committee • Ex-officio Member Corporate Governance Committee

DIRECTORS REPORT *cont*

INFORMATION ON COMPANY SECRETARY

The Company Secretary is David Munday, BComm (UNE), Grad Dip Applied Corporate Governance (GIA Syd), GAICD, AGIA. Mr Munday was appointed to the position in 2004.

INFORMATION ON BOARD AND COMMITTEE MEETINGS

	Board		Corporate Governance		Audit & Risk *		Audit **		Risk	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Olrich	10	8	3	3	3	3	2	2	2	1
Alison Sheridan	10	10	5	5	-	-	-	-	2	2
Geoffrey Thompson	10	8	3	3	3	2	2	2	-	-
Michael Fenech^	5	5	-	-	-	-	2	1	2	2
John O'Connor	10	9	5	5	-	-	2	2	-	-
Brian Goodall	10	9	3	3	3	3	-	-	2	1
Kate James	10	10	2	1	3	3	2	2	2	2
Michael Dennis^^	5	5	2	2	3	3	-	-	-	-

During the year the following changes to the Committees occurred:

* *The Audit & Risk Committee operated from 1 July 2014 to 31 December 2014.*
** *The Audit Committee and Risk Committee operated from 1 January 2015 to 30 June 2015.*
^ *Michael Fenech was appointed to the Board following the Annual General Meeting held on 21 November 2014.*
^^ *Michael Dennis retired from the Board following the Annual General Meeting held on 21 November 2014.*

DIRECTORS BENEFITS

No Director has received or become entitled to receive, during, or since the end of the financial year, a benefit because of a contract made by CMG with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 38 of the financial report.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

Insurance premiums have been paid to insure each of the Directors and Officers of CMG, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of CMG. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No cover has been provided for the benefit of the auditors of CMG.

FINANCIAL REPORT

DIRECTORS REPORT *cont*

PRINCIPAL ACTIVITIES

The principal activities of CMG during the year were the provision of retail and commercial financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

REVIEW OF OPERATIONS

The profit of CMG for the year before income tax is $9.04mil (2014: $7.93mil) representing an excellent result in a difficult economic environment.

DIVIDEND ON TIER 1 SHARES

Dividends paid during the year on the issued permanent preference shares was $3.92 (2014: $3.97) per share amounting to a total dividend of $572,335 (2014: $580,306).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of CMG during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 15 July 2015 an additional $72 million loans were settled between CMG and the CMG Funding Trust No. 1.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i) the operations of Group;
(ii) the results of those operations; or
(iii) the state of affairs of the Group.

in the financial years subsequent to this financial year.

ROUNDING

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to CMG under ASIC class order 98/100. CMG is an entity to which the class order applies.

NON-AUDIT SERVICES

The following non-audit services were provided by CMG's auditor, KPMG (2015) and PwC (2014). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* . The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

KPMG and PricewaterhouseCoopers (PwC) received or are due to receive the following amounts for the provision of non-audit services for the year ended 30 June 2015:

	KPMG $	PwC $
Taxation Services	10,000	4,000
Securitisation Services	19,500	-
Total	**29,500**	**4 ,000**

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out following the Directors' Report.

DIRECTORS REPORT *cont*

PUBLIC PRUDENTIAL DISCLOSURES

As an Approved Deposit taking institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), the Group is required to publicly disclose certain information in respect of:

- Consolidated equity and regulatory capital
- Risk exposure and assessment, and
- Remuneration disclosures.

The disclosures are to be found on the company's website: http://www.communitymutual.com.au/prudentialinformation.html. The report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Graham Olrich
Director

2 October 2015

Geoff Thompson
Director

2 October 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Community Mutual Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Michael O Connell
Partner

Sydney
2 October 2015

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2015

	Notes	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Interest income	5	57,735	58,967	58,778	57,940
Interest expense	6	(23,403)	(25,539)	(25,148)	(25,148)
Net interest income		**34,332**	**33,428**	**33,630**	**32,792**
Non-interest income	7a	7,108	7,993	6,836	7,655
Net operating income		**41,440**	**41,421**	**40,466**	**40,447**
Impairment loss on loans and advances	8a	(1,136)	(1,136)	(1,194)	(1,194)
Employee benefits expense	8b	(16,387)	(16,387)	(16,738)	(16,738)
Occupancy expense	8c	(2,708)	(2,708)	(2,969)	(2,969)
Depreciation and amortisation expense	8d	(1,535)	(1,535)	(1,626)	(1,626)
Information technology and communication expense	8e	(3,839)	(3,839)	(3,432)	(3,432)
Other operating expenses	8f	(6,795)	(6,776)	(6,575)	(6,556)
Total operating expenses		(32,400)	(32,381)	(32,534)	(32,515)
Profit before income tax		**9,040**	**9,040**	**7,932**	**7,932**
Income tax expense	9	(2,593)	(2,593)	(2,119)	(2,119)
Net profit after tax attributable to members		**6,447**	**6,447**	**5,813**	**5,813**
Other comprehensive income					
Revaluation of Available-For-Sale Financial Assets	7b	312	312	-	-
Income tax relating to components of other comprehensive income	19	(93)	(93)	-	-
Other comprehensive income for the year net of tax		**219**	**219**	**-**	**-**
Total comprehensive income for the year		**6,666**	**6,666**	**5,813**	**5,813**

The accompanying notes should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
ASSETS					
Cash and cash equivalents	11	64,429	63,033	88,590	83,127
Due from other financial institutions	12	-	-	6,000	6,000
Trade and other receivables	13	6,649	7,064	6,002	10,710
Loans and advances to members	14	860,448	893,670	819,240	864,185
Available-For-Sale Financial Assets	15	625	625	314	314
Held To Maturity Financial Assets	16	141,545	141,545	98,600	98,600
Property, plant and equipment	17	6,737	6,737	6,794	6,794
Intangible assets	18	429	429	431	431
Deferred tax assets	19	1,928	1,928	1,826	1,826
Loss reserve loan	20	1,460	1,460	1,460	1,460
Total Assets		**1,084,250**	**1,116,491**	**1,029,257**	**1,073,447**
LIABILITIES					
Deposits	21	947,938	947,938	900,154	900,154
Trade and other payables	22	21,162	21,161	19,904	20,428
Current tax Liabilities		1,105	1,105	1,062	1,062
Provisions	23	2,795	2,795	2,848	2,848
Finance Lease Liabilities	24	214	214	364	364
Other Borrowings	25	-	32,242	-	43,666
Subordinated debt	26	3,962	3,962	3,945	3,945
Total Liabilities		**977,176**	**1,009,417**	**928,277**	**972,467**
Net Assets		**107,074**	**107,074**	**100,980**	**100,980**
EQUITY					
Preference shares	27	14,563	14,563	14,527	14,527
Redeemable member shares	28	679	679	630	630
Reserves	29	1,043	1,043	824	824
Retained earnings	30	82,338	82,338	76,548	76,548
Contributed Equity	31	8,451	8,451	8,451	8,451
Total Equity		**107,074**	**107,074**	**100,980**	**100,980**

The accompanying notes should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2015

Parent

	Contributed Equity	Preference Shares	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013	8,461	14,491	572	1,021	71,354	95,899
Total Net profit after tax attributable to members	-	-	-	-	5,813	5,813
Amortisation of preference share discount	-	36	-	-	-	36
Transfer to capital account on redemption of shares	-	-	58	-	(58)	-
Asset Revaluation Reserve movement	-	-	-	(197)	-	(197)
Adjustment for prior year errors	(10)	-	-	-	19	9
Transactions with preference shareholders	-	-	-	-	(580)	(580)
Balance at 30 June 2014	8,451	14,527	630	824	76,548	100,980

	Contributed Equity	**Preference Shares**	**Member Shares**	**Other Reserves**	**Retained Earnings**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014	8,451	14,527	630	824	76,548	100,980
Total Net profit after tax attributable to members	-	-	-	-	6,447	6,447
Amortisation of preference share discount	-	36	-	-	-	36
Revaluation of Available-For-Sale Financial Assets	-	-	-	219	-	219
Transfer to capital account on redemption of shares	-	-	49	-	(49)	-
Adjustment for prior year errors	-	-	-	-	(36)	(36)
Transactions with preference shareholders	-	-	-	-	(572)	(572)
Balance at 30 June 2015	**8,451**	**14,563**	**679**	**1,043**	**82,338**	**107,074**

Consolidated

	Contributed Equity	Preference Shares	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013	8,461	14,491	572	1,021	71,354	95,899
Total Net profit after tax attributable to members	-	-	-	-	5,813	5,813
Amortisation of preference share discount	-	36	-	-	-	36
Transfer to capital account on redemption of shares	-	-	58	-	(58)	-
Asset Revaluation Reserve movement	-	-	-	(197)	-	(197)
Net transfer (to)/from deposits	(10)	-	-	-	19	9
Transactions with preference shareholders	-	-	-	-	(580)	(580)
Balance at 30 June 2014	**8,451**	**14,527**	**630**	**824**	**76,548**	**100,980**

	Contributed Equity	**Preference Shares**	**Member Shares**	**Other Reserves**	**Retained Earnings**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014	8,451	14,527	630	824	76,548	100,980
Total Net profit after tax attributable to members	-	-	-	-	6,447	6,447
Amortisation of preference share discount	-	36	-	-	-	36
Revaluation of Available-For-Sale Financial Assets	-	-	-	219	-	219
Transfer to capital account on redemption of shares	-	-	49	-	(49)	-
Adjustment for prior year errors	-	-	-	-	(36)	(36)
Transactions with preference shareholders	-	-	-	-	(572)	(572)
Balance at 30 June 2015	**8,451**	**14,563**	**679**	**1,043**	**82,338**	**107,074**

The accompanying notes should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2015

	Notes	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		57,735	58,967	59,180	58,342
Dividends received		37	37	37	37
Fees and commissions received		6,639	6,639	9,086	4,377
Other income		432	1,317	115	934
Interest paid		(23,403)	(25,539)	(26,115)	(26,116)
Payments to suppliers and employees		(30,035)	(26,248)	(31,330)	(30,786)
Income taxes paid		(2,745)	(2,745)	(2,119)	(2,119)
(Increase)/Decrease in operating assets					
Net increase in member loans		(41,430)	(29,707)	(30,442)	(75,387)
Increase/(Decrease) in operating liabilities					
Net increase in member deposits		47,784	47,784	(327)	(327)
Net increase in borrowings (securitisation)		-	(11,424)	-	43,666
Net cash provided (used) by operating activities	**33(c)**	**15,014**	**19,081**	**(21,915)**	**(27,379)**
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of investments due from other financial institution investments		6,000	6,000	-	-
Payments for held-to-maturity financial assets and other Financial Institutions		(42,946)	(42,946)	12,270	12,270
Proceeds from sale of property, plant and equipment		44	44	878	878
Payments for property, plant and equipment		(1,290)	(1,290)	(1,928)	(1,928)
Purchase of intangible assets		(305)	(305)	(211)	(211)
Net cash (used in) investing activities		**(38,497)**	**(38,497)**	**11,009**	**11,009**
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments and interest on finance leases		(123)	(123)	(252)	(252)
Net proceeds of subordinated debt issue		17	17	17	17
Dividends paid		(572)	(572)	(580)	(580)
Net cash (used in) financing activities		**(678)**	**(678)**	**(815)**	**(815)**
Total net increase (decrease) in cash held		(24,161)	(20,094)	(11,721)	(17,184)
Cash at the beginning of year		88,590	83,127	100,311	100,311
Cash and cash equivalents at the end of year	**11**	**64,429**	**63,033**	**88,590**	**83,127**

The accompanying notes should be read in conjunction with these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 CORPORATE INFORMATION

The financial statements of Community Mutual Ltd ("CMG") for the year ended 30 June 2015 were authorised for issuance in accordance with a resolution of the Directors on 2 October 2015.

Community Mutual Ltd ("CMG" or the "Company") is a company domiciled in Australia.

The consolidated financial statements as at and for the year ended 30 June 2015 comprise Community Mutual Ltd ("CMG") and the CMG Funding Trust No.1 ("the Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2015 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members. The members are the owners of CMG.

The registered office is at Suite 4, Technology Park, Madgwick Drive, Armidale NSW 2350.

The nature of the operations and principal activities of CMG are described in the Directors' Report.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001* , Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have been prepared on a historical cost basis, except for land and buildings and available-for-sale instruments, which have been measured at fair value.

The functional and reporting currency is Australian Dollars.

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Statement of Compliance with IFRS

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Basis of Consolidation

The consolidated financial statements include those of CMG and a Special Purpose Vehicle (CMG Funding Trust No. 1, the securitisation trust) which relates to the issuance of residential mortgage-backed securities (RMBS). RMBS are issued by the securitisation trust and held by CMG for entering into potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trust is consolidated, as CMG has the power to govern the financial and operating policies so as to obtain benefits from its activities. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Consolidated Statement of Profit or loss and Other Comprehensive Income, Statement of Finanical Position, Statement of Changes in Equity and Statement of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr Kevin Dupé, Chief Executive Officer of CMG.

As internal reporting to the Chief Executive Officer is on a 'whole of business' basis, CMG considers there to be one reportable segment.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial instrument over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

Loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Fees and commission income

CMG earns fee and commission income from a diverse range of services it provides to its members. Income is brought to account on an effective interest rate basis once a right to receive consideration has been established.

(iii) Dividend income

Dividend income is recorded in non-interest income when CMG's right to receive the payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment are recognised as a financial lease where CMG, as lessee, has substantially all the risks and rewards of ownership. These are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense.

A financial lease is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that CMG will obtain ownership by the end of the lease term.

Leases, in which a significant portion of risks and rewards are not transferred to CMG or lessee are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are, with limited exception, measured initially at fair value at the acquisition date.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the entity's share of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(i) Contributed Equity

Contributed Equity reflects the addition to equity arising from the application of AASB 3 for business combinations, when two mutual entities combine the acquirer is required to recognise the acquiree's net assets as a direct addition to equity in its Statement of Financial Position.

(j) Impairment of loans and advances

CMG assesses at each balance date whether there is any objective evidence that a loan and advance to a member, or a group of loans and advances, is impaired. A loan and advance, or a group of loans and advances, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan and advance or group of loans and advances that can be reliably estimated. Objective evidence of impairment may include indications that the borrower, or a group of borrowers is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructure and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'bad debts recovered'.

Bad debts are written off when identified. Identification may include: bankruptcy, clearout or unlikelihood of recovery. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

(l) Due from other financial institutions

Receivables due from other financial institutions are primarily settlement account balances due from banks, building societies and credit unions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of Profit or Loss and Other Comprehensive Income as interest income when earned.

(m) Trade and other receivables

Trade and other receivables include amounts owed to the Group for services provided, accrued interest on loans and advances, investments, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables includes interest accrued on investments which is received on maturity. Amounts due for services provided are normally settled in 30 days.

Trade and other receivables are initially recorded at cost including transaction costs. At reporting date, trade and other receivables are measured at amortised cost, less any allowance for impairment or uncollectability.

(n) Loans and advances

Loans and advances to members, including loans to Key Management personnel, are assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

(o) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(p) Investments and other financial assets

Investments and financial assets are categorised as either financial assets at fair value, held to maturity investments or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designations are re-evaluated each financial year-end.

(i) Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains or losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Refer to Note 3 (d).

In the case of debt instruments classified as available-for-sale investments, impairment is assessed on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iii) Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Property, plant and equipment

Each category of plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(i) Property

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less subsequent depreciation on buildings and less any impairment losses recognised after the date of revaluation. The fair value is reassessed prior to sale.

Any revaluation decrease is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to other comprehensive income and the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(ii) Plant and Equipment

Plant and equipment are measured on the historical cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal.

Any decrease in the carrying amount is recognised as an impairment expense in the Statement of Profit or Loss and Other Comprehensive Income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(iii) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

(iv) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to the residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	25 to 40 years
• Furniture, Fittings & Leasehold Improvements	5 to 15 years
• Office equipment	3 to 15 years
• Motor Vehicles	6 years
• Leased plant & equipment	3 to 8 years

(r) Intangible assets

Intangible assets relate to the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Computer Software	3 years

(s) Impairment of assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the difference is recognised as the impairment loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of the asset is increased to its recoverable amount.

(t) Member deposits

All member deposits are initially recognised at the fair value of the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis. Interest is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent accrued interest on deposits and liabilities for goods and services provided to CMG prior to the end of the financial year that are unpaid and arise when CMG becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled within 30 days.

(v) Subordinated debt

All subordinated debts are initially recognised at fair value, net of transaction costs incurred. Subordinated debts are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Subordinated debt costs are amortised over the life of the debt.

(w) Provision for Employee benefits

Liabilities for wages and salaries and annual leave are expected to be settled within 12 months of the reporting date after the end of the period in which the employees render related service are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The liability for annual leave is recognised in the provision for annual leave.

The liability for long service leave is not expected to be settled within 12 months after the end of the period in which the employees render the related service recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the corporate bond rate at reporting date on national government bonds with terms to maturity that match, as closely as possible, to the estimated future cash flows.

Contributions are made by the Group to an employee’s superannuation fund and are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(x) Other Provisions

The Group creates a provision for the present value of anticipated costs of future restoration of leased branch premises (Make Good Provision). The provision includes future cost estimates associated with dismantling furniture and fittings. An asset is created as a result of this provision which is included in leasehold improvements. This asset is amortised over the effective remaining life of each lease. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each branch is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past events. It is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(y) Goods and services tax (GST)

As a financial institution the Group is input taxed on all income except for income from commissions and some fees. An input tax supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. CMG’s assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 Financial Instruments (2014)

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. CMG is assessing the potential impact on its financial statements resulting from the application of AASB 9.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. CMG is assessing the potential impact on its financial statements resulting from the application of AASB 15.

CMG and the Group do not plan to adopt these standards early.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and operational risk. The Groups' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity in the case of interest rate risk and ageing analysis for credit risk.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Asset and Liability Committee (ALCo), the Credit Committee and the Operational Risk & Compliance Committee and under policies approved by the Board after recommendation from the Audit Committee or Risk Committee.

The Group holds the following financial instruments:

	Consolidated	Parent	Consolidated	Parent
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Financial Assets				
Cash and cash equivalents	64,429	63,033	88,590	83,127
Due from other financial institutions	-	-	6,000	6,000
Trade and other receivables	6,649	7,064	6,002	10,710
Loans and advances to members	860,448	893,670	819,240	864,185
Available-For-Sale Financial Assets	625	625	314	314
Held To Maturity Financial Assets	141,545	141,545	98,600	98,600
Loss reserve loan	1,460	1,460	1,460	1,460
	1,075,156	1,107,397	1,020,206	1,064,396
Financial Liabilities				
Deposits	947,938	947,938	900,154	900,154
Trade and other payables	21,162	21,161	19,904	20,428
Lease Liabilities	214	214	364	364
Subordinated debt	3,962	3,962	3,945	3,945
Other borrowings	-	32,242	-	43,666
	973,276	1,005,517	924,367	968,557

(a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are considered to ensure positions are maintained within the established limits.

(i) Value at Risk (VaR)

VaR is a statistical measure of the potential loss expected due to a change in market conditions arising from currently held positions, given a certain confidence level and holding period. VaR is presented as a dollar amount and is based on historically observed volatility. The holding period represents the implied liquidation period of the portfolio. It is the number of days required to either liquidate a portfolio or hedge the risk within the portfolio. The observation period is the number of days over which the previous market data (interest rates) is observed to predict the future. The 99% confidence level is the degree of confidence with which the VaR number will not be exceeded. A 99% confidence level implies that for 99 out of 100 observations, the market value based loss will not be greater than the VaR number.

As a normal distribution is used, the standard deviation of the portfolio is multiplied by 2.33 to achieve a 99% confidence level. A proxy set of interest rates must be used to estimate the changes in the yield curve. The proxy curve used by CMG is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

Since VaR is an integral part of the Group's interest rate risk management, VaR limits have been established for all non-trading operations and exposures are reviewed monthly against the limits by management.

VaR exposure at 30 June 2015	628	628	978	978
Average monthly VaR exposure	805	805	1,013	1,013
Maximum monthly VaR exposure	1,341	1,341	1,163	1,163
Minimum monthly VaR exposure	564	564	860	860

(ii) Sensitivity

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of CMG's income statement. This methodology was also applied in previous years.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net income for one year, based on floating rate non-trading financial assets and liabilities held at year end.

1% shift upwards of interest rate impact to income statement	(1,408)	(1,408)	(2,742)	(2,742)
1% shift downwards of interest rate impact to income statement	1,408	1,408	2,742	2,742

(iii) Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its members and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages. The Group is not exposed to significant prepayment risk given that its fixed rate portfolio is 26.37% (2014: 19.49%) of its total loan portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

Credit risk is the risk that the Group will incur a loss when its members, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits for individual counterparties, geographical and industry concentrations and monitoring these exposures.

The Group has established a credit control review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Credit limits are established by use of a comprehensive assessment process. The credit control review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Consolidated	Parent	Consolidated	Parent
	2015	2015	2014	2014
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	64,429	63,033	88,590	83,127
Due from other financial institutions	-	-	6,000	6,000
Trade receivables	6,649	7,064	6,002	10,710
Loans and advances to members	862,638	895,860	821,208	866,153
Available-For-Sale Financial Assets	625	625	314	314
Held To Maturity Financial Assets	141,545	141,545	98,600	98,600
Loss reserve loan	1,460	1,460	1,460	1,460
Total on balance sheet	1,077,346	1,109,587	1,022,174	1,066,364
Credit risk				
Guarantees	952	952	732	732
Loan repayments in advance	60,879	60,879	56,731	56,731
Undrawn loan commitments	45,168	45,168	35,999	35,999
Total off balance sheet	106,999	106,999	93,462	93,462
Total on and off balance sheet	1,184,345	1,216,586	1,115,636	1,159,826

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the member. Guidelines are in place with regards to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending, charges over real estate properties and inventory;
- for retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The terms and conditions are specific to individual loan and security types.

It is CMG's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. CMG does not occupy repossessed properties for business use.

During the financial period CMG realised $62,000 (2014:$99,600) of real estate and other assets through the enforcement of security. As at period-end, the market value of assets owned by CMG was $570,000 (2014:$200,000). CMG uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

(iii) Impairment assessment

The main considerations for loan impairment assessment are as follows:

- whether any payments of principal or interest are overdue; or
- there are any known difficulties in the cash flows of counterparties; or
- infringements of the original terms of the contract.

CMG addressed impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(iv) Individually assessed allowances

CMG determines the allowances appropriate for each individually significant loan or advance on an individual basis. Objective evidence includes the timing of expected cash flows, the availability of other financial support and the realisable value of collateral. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

(v) Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio being separately reviewed.

The collective assessment takes account of impairment that is likely to be present in the portfolio. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for calculating the length of the emergence period which can extend for as long as eighteen months. The impaired allowance is then reviewed by the Credit Committee to ensure alignment with CMG's overall policy objectives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(vi) Analysis of age of financial assets that are past due but not impaired

30 June 2015	Parent and Consolidated				
	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	2,425	697	278	-	3,400
Mortgage Loans	10,441	2,312	1,466	2,532	16,751
Commercial Loans	1,424	165	260	440	2,289
Revolving Credit	314	63	14	-	391
Total	**14,604**	**3,237**	**2,018**	**2,972**	**22,831**

30 June 2014	Parent and Consolidated				
	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	1,864	610	352	-	2,826
Mortgage Loans	10,074	3,059	850	-	13,983
Commercial Loans	1,246	783	84	-	2,113
Revolving Credit	361	10	1	-	372
Total	**13,545**	**4,462**	**1,287**	**-**	**19,294**

(vii) Analysis of financial assets individually determined to be impaired

Parent and Consolidated	**2015**			**2014**		
	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Loans and advances to members	4,276	926	3,350	3,487	350	3,137
Financial assets individually assessed as impaired	**4,276**	**926**	**3,350**	**3,487**	**350**	**3,137**

(viii) Credit quality of financial assets

The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings (if available):

	Consolidated	**Parent**	**Consolidated**	**Parent**
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
AAA	-	-	3,000	3,000
AA	45,488	44,092	34,847	29,384
A	107,127	107,127	56,445	56,445
BBB	22,481	22,481	61,208	61,208
Unrated	30,878	30,878	37,690	37,690
	205,974	204,578	193,190	187,727

The portfolio composition of loans and advances to members are as follows:

	Parent and Consolidated			
	Housing	Commercial	Personal	Total
	$'000	$'000	$'000	$'000
Loans	677,087	88,722	71,032	836,841
Revolving Credit and Overdrafts	5,154	9,187	11,456	25,797
Total Balances	**682,241**	**97,909**	**82,488**	**862,638**
Percentage of portfolio	**79.1%**	**11.3%**	**9.6%**	**100.0%**
Maximum percentage under policy	**100.0%**	**17.0%**	**30.0%**	-

Loans and Advances to members are disclosed in more detail in Note 14.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has wholesale funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

The Group maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption to cash flow. The Group also has lines of credit that it can access to meet its liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank deposits available for immediate sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (continued)

In order to minimise the risk of the Group's liquidity ratio falling below minimum regulatory limits the Board has determined a target liquidity ratio of 13%. In the event that the Group's liquidity ratio falls below 13%, or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and management.

The liquidity ratio during the year was as follows:

	2015	2014
30 June	%	%
Average during the period	15.93	14.51
Highest	14.90	14.69
Lowest	16.39	15.87
	13.87	13.84

Maturities of financial liabilities

The table below analyses the entity's financial liabilities into relevant maturity groupings as follows:
(a) based on their contractual maturities, and
(b) based on the remaining period to the expected settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	543,709	195,710	179,066	29,453	-	-	947,938
Trade and other payables	-	21,162	-	-	-	-	21,162
Lease Liability	-	61	133	20	-	-	214
Subordinated debt	-	-	-	4,000	-	-	4,000
Total financial liabilities	**543,709**	**216,933**	**179,199**	**33,473**	**-**	**-**	**973,314**
Contingent liabilities	952	-	-	-	-	-	952
Commitments	96,732	9,315	1,328	2,505	-	-	109,880
Total other liabilities	**97,684**	**9,315**	**1,328**	**2,505**	**-**	**-**	**110,832**

Parent

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	543,709	195,710	179,066	29,453	-	-	947,938
Trade and other payables	-	21,161	-	-	-	-	21,161
Lease Liability	-	61	133	20	-	-	214
Other Borrowings	-	-	-	-	32,242	-	32,242
Subordinated debt	-	-	-	4,000	-	-	4,000
Total financial liabilities	**543,709**	**216,932**	**179,199**	**33,473**	**32,242**	**-**	**1,005,555**
Contingent liabilities	952	-	-	-	-	-	952
Commitments	96,732	9,315	1,328	2,505	60,879	-	170,759
Total other liabilities	**97,684**	**9,315**	**1,328**	**2,505**	**60,879**	**-**	**171,711**

Consolidated

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,936	152,215	41,248	-	-	900,154
Trade and other payables	-	19,904	-	-	-	-	19,904
Lease Liability	-	56	110	198	-	-	364
Subordinated debt	-	-	-		4,000	-	4,000
Total financial liabilities	**465,755**	**260,896**	**152,325**	**41,446**	**4,000**	**-**	**924,422**
Contingent Liabilities	732	-	-	-	-	-	732
Commitments	88,111	4,619	1,443	3,579	109	-	97,861
Total other liabilities	**88,843**	**4,619**	**1,443**	**3,579**	**109**	**-**	**98,593**

Parent

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,936	152,215	41,248	-	-	900,154
Trade and other payables	-	20,428	-	-	-	-	20,428
Lease Liability	-	56	110	198	-	-	364
Other Borrowings	-	-	-	-	43,666	-	43,666
Subordinated debt	-	-	-	4,000	-	-	4,000
Total financial liabilities	**465,755**	**261,420**	**152,325**	**45,446**	**43,666**	**-**	**968,612**
Contingent liabilities	732	-	-	-	-	-	732
Commitments	88,111	4,619	1,443	3,579	109	-	97,861
Total other liabilities	**88,843**	**4,619**	**1,443**	**3,579**	**109**	**-**	**98,593**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

AASB 13 Financial Instruments: Disclosures, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)(level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments in unlisted equity investments with a carrying value of $625,714 (2014: $314,114) were included in Available-for-Sale Investments as at 30 June 2015. These have been previously carried at cost due to the unlisted nature of these investments. In 2015 the holding of Indue Ltd shares were revalued based on recent share rights issue prices. The valuation takes into account the dilution following the take up of rights issued in 2015, refer Note 16.
All Available for Sale assets are categorised as level 3 within the fair value hierarchy of ASSB 13. There is no immediate intention to dispose of these investments.

(e) Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior management and the functioning of the Operational Risk & Compliance Committee (ORCC) under policies approved by the Board after recommendation from the Audit Commitee or Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

(f) Capital Management

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority (APRA).

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its activities.

During the past year the Group has complied in full with all its externally imposed capital requirements.

Although the Group actively monitors and manages its risk exposure in each of these areas, the Group does not calculate and determine its minimum capital needs by allocating a specific value or ‘capital charge’ to each type of risk. Rather, the Board has resolved that the Group will maintain, based on the outcomes of its annual capital planning processes, an ‘internal minimum’ target capital ratio (TCR) of 14%.

For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Common Equity Tier 1 capital and Additional Tier 1 capital. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standard.

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 capital comprises the highest quality capital components. Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an institution as a going concern.

For capital adequacy purposes, the capital base at Level 1 and Level 2 is defined as the sum of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

	Consolidated	**Consolidated**
	2015	**2014**
	$'000	**$'000**
Common Equity Tier 1 Capital	86,173	80,900
Additional Tier 1 Capital	7,610	8,906
Tier 2 Capital	6,694	7,258
Total Capital	**100,477**	**97,064**
Risk Weighted Assets	573,527	560,414
Risk-based Capital Ratio	**17.52%**	**17.32%**

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

(i) Classification and valuation of investments

The Group has classified investments in unlisted securities as available-for-sale investments and movements in fair value are recognised directly in equity. The fair values of unlisted securities not traded in an active market are recorded at historical cost as this is deemed to be the most reliable method to determine a valuation that would reflect fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(iii) Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(iv) Long service leave provision

As discussed in Note 2 (w), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(v) Estimation of useful lives of assets

The estimation of the useful lives of assets is based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once every year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 8.

(vi) Impairment of loans and advances

The Group reviews any doubtful loans at each reporting date to assess whether an allowance for impairment should be recorded in the Statement of Profit or Loss and Other Comprehensive Income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as deterioration in industry, as well as identified structural weaknesses or deterioration in cash flows.

(vii) Asset revaluations

Any property revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

(viii) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision is recognised for each branch where applicable, and reviewed periodically based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

(ix) Annual leave provision

As discussed in Note 2 (w), the liability for annual leave is recognised and measured at the amounts expected to be settled within the 12 months of the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates in preparing the financial statements are reasonable. Actual results in the future may differ from those reported.

		Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
NOTE 5	**INTEREST INCOME**				
	Cash and cash equivalents	916	841	1,326	1,276
	Due from other financial institutions	5,712	5,712	5,581	5,581
	Loans and advances to members	50,894	50,894	51,646	49,201
	Interest income accrued on impaired financial assets	165	165	207	207
	Other interest income	48	48	18	18
	Interest income on notes receivable from securitisation trust	-	1,307	-	1,657
	Total interest income	**57,735**	**58,967**	**58,778**	**57,940**
NOTE 6	**INTEREST EXPENSE**				
	Deposits	22,971	22,971	24,688	24,688
	Lease Liabilities	37	37	54	54
	Subordinated debt	342	342	354	354
	Other Borrowings	-	2,136	-	-
	Amortisation of debt raising facility	53	53	52	52
	Total interest expense	**23,403**	**25,539**	**25,148**	**25,148**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
NOTE 7					
(a)	**NON-INTEREST INCOME**				
	Loan fees	1,127	1,127	1,233	1,233
	Transaction fees	3,593	3,593	3,365	3,365
	Insurance commissions	842	842	992	992
	Other commissions	821	821	767	767
	Bad debts recovered	198	198	189	189
	Gain on sale of property, plant & equipment	59	59	-	-
	Rental income	1	1	73	73
	Dividend income	37	37	37	37
	Insurance profit share	256	256	-	-
	Other non-interest income	174	1,059	180	999
	Total non-interest income	**7,108**	**7,993**	**6,836**	**7,655**
(b)	**OTHER COMPREHENSIVE INCOME**				
	Revaluation of available-for-sale financial assets	312	312	-	-
	Income Tax relating to components of other comprehensive income	(93)	(93)	-	-
		219	**219**	**-**	**-**
NOTE 8	**OPERATING EXPENSES**				
(a)	*Bad and doubtful debts*				
	Change in provision for impairment of loans & advances	222	222	279	279
	Bad debts written off directly	914	914	915	915
		1,136	**1,136**	**1,194**	**1,194**
(b)	*Employee benefits expense*				
	Salaries and wages	13,168	13,168	13,327	13,327
	Superannuation expense	1,223	1,223	1,180	1,180
	Other employee benefits expense	1,996	1,996	2,231	2,231
		16,387	**16,387**	**16,738**	**16,738**
(c)	*Office occupancy expense*				
	Rental expense on operating leases	1,890	1,890	1,771	1,771
	Other office occupancy costs	818	818	1,198	1,198
		2,708	**2,708**	**2,969**	**2,969**
(d)	*Depreciation and amortisation expense*				
	Depreciation of buildings and plant & equipment	1,142	1,142	1,288	1,288
	Depreciation on make good assets	86	86	46	46
	Amortisation of intangible assets	307	307	292	292
		1,535	**1,535**	**1,626**	**1,626**
(e)	*Information technology and communications expense*				
	Hardware and software maintenance	2,483	2,483	1,308	1,308
	Communications expense	1,272	1,272	1,205	1,205
	Other information technology expense	84	84	919	919
		3,839	**3,839**	**3,432**	**3,432**
(f)	*Other expenses*				
	Marketing and promotional expenses	1,227	1,227	1,404	1,404
	Securitisation administration costs	66	66	-	-
	Board and committee expenses	310	310	353	353
	Licences audit and risk	721	721	621	621
	Member transaction costs	2,712	2,712	2,659	2,659
	Loan administration costs	216	216	80	80
	General administrative expenses	909	890	855	836
	Loss on sale of assets	-	-	16	16
	Motor vehicle expenses	165	165	159	159
	Other operating expenses	469	469	428	428
		6,795	**6,776**	**6,575**	**6,556**
	Total operating expenses	**32,400**	**32,381**	**32,534**	**32,515**
NOTE 9	**INCOME TAX**				
(a)	*Income tax expense*				
	Current tax charge	2,788	2,788	2,560	2,560
	Deferred Tax	(195)	(195)	(441)	(441)
		2,593	**2,593**	**2,119**	**2,119**
	Deferred income tax (revenue) expense included in the income tax expense:				
	Decrease (increase) in deferred tax assets	43	43	(411)	(411)
	(Decrease) increase in deferred tax liabilities	(145)	(145)	(30)	(30)
		(102)	(102)	(441)	(441)
(b)	*Numerical*				
	Profit from continuing operations before income tax expense	9,040	9,040	7,932	7,932
	Prima facie tax calculated at 30% payable on the profit (2014: 30%)	2,712	2,712	2,380	2,380
	Add tax effect of:				
	Imputation credits	(11)	(11)	(11)	(11)
	Sundry items	(108)	(108)	(250)	(250)
	Income tax attributable to profit	**2,593**	**2,593**	**2,119**	**2,119**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 10 DIVIDENDS PAID

(a) Recognised amounts

Dividends are payable in arrears on 30 June, 30 September, 31 December and 31 March in each year that the permanent preference shares are on issue.

Dividends paid on permanent preference shares (fully franked) are as follows:

			Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
30/09/2014	100.48	cents (2014 : 102.51)	147	147	150	150
31/12/2014	101.10	cents (2014 : 98.57)	148	148	143	143
31/03/2015	99.42	cents (2014 : 97.185)	145	145	142	142
30/06/2015	91.01	cents (2014 : 99.21)	132	132	145	145
Total dividends paid			**572**	**572**	**580**	**580**

The payment of dividends on permanent preference shares is at the discretion of the directors and, if paid, is on a quarterly basis at a floating rate equal to three month Australian Financial Markets Association (AFMA) BBSW reference rate plus an average margin of 3.92% per annum multiplied by (1-T) where T is the prevailing Australian corporate tax rate at the time of payment of the dividend.

Dividends may only be paid out of distributable profits. Distributable profits refers to the profits after tax of the Group for the 12 month period ending 30 June 2015.

The payment of a dividend is also subject to the Group having profits available for the payment of a dividend as required by the *Corporations Act 2001* and such payment not exceeding 100% of CMG's annual profit after tax in any year.

(b) Tax rate used

The tax rate at which paid dividends have been franked is 30% (2014: 30%).

(c) Balance of franking account at year-end adjusted

The amount of franking credits available for the subsequent financial year are:

	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
Franking account balance as at the end of the financial year at 30% (2014: 30%)	30,031	30,031	27,560	27,560
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,745	2,745	2,704	2,704
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	16	16	16	16
Franking debits that will arise from payment of dividends as at the end of the financial year	(245)	(245)	(249)	(249)
Franking account balance for future reporting periods	**32,547**	**32,547**	**30,031**	**30,031**

NOTE 11 CASH AND CASH EQUIVALENTS

	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
Cash on hand	9,097	7,701	13,300	7,837
Short term deposits	55,332	55,332	75,290	75,290
Total cash and cash equivalents	**64,429**	**63,033**	**88,590**	**83,127**

The entity's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 12 DUE FROM OTHER FINANCIAL INSTITUTIONS

	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
Deposits with authorised deposit-taking institutions	**-**	**-**	**6,000**	**6,000**
Maturity analysis				
Longer than 3 months and not longer than 6 months	-	-	4,000	4,000
Longer than 6 months	-	-	2,000	2,000
	-	**-**	**6,000**	**6,000**

NOTE 13 TRADE AND OTHER RECEIVABLES

	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
Accrued Interest (incl loss reserve loan) and other accrued income	358	358	551	551
Sundry debtors and settlement accounts	5,906	5,904	5,268	5,268
Intercompany receivable from securitisation trust	-	417	-	4,708
Prepayments	385	385	183	183
Total trade and other receivables	**6,649**	**7,064**	**6,002**	**10,710**

There were no receivables past due at balance date.

With the exception of the intercompany receivable from the securitisation trust, the majority of trade and other receivables are collectable within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 14 LOANS AND ADVANCES TO MEMBERS

	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
Loans and advances to members	**$'000**	**$'000**	**$'000**	**$'000**
Personal Loans	71,032	71,032	71,996	71,996
Mortgage Loans	677,087	677,087	640,125	640,125
Commercial Loans	88,722	88,722	82,685	82,685
Revolving Credit	25,797	25,797	26,402	26,402
Total loans and advances	**862,638**	**862,638**	**821,208**	**821,208**
Notes receivable from securitisation trust	-	33,222	-	44,945
Provision for impairment				
Personal Loans	(508)	(508)	(619)	(619)
Mortgage Loans	(1,144)	(1,144)	(1,089)	(1,089)
Commercial Loans	(522)	(522)	(182)	(182)
Revolving Credit	(16)	(16)	(78)	(78)
Total provision for impairment	**(2,190)**	**(2,190)**	**(1,968)**	**(1,968)**
Net loans and advances to members	**860,448**	**893,670**	**819,240**	**864,185**

(a) Provision for impairments on loans and advances to members

	Parent and Consolidated				
	Personal Loans 2015 $'000	Mortgage Loans 2015 $'000	Commercial Loans 2015 $'000	Revolving Credit 2015 $'000	**Total $'000**
At 1 July 2014	619	1,089	182	78	**1,968**
Charge for the year	393	(1)	305	76	**773**
Recoveries	129	-	-	69	**198**
Amounts written off	(670)	-	(1)	(243)	**(914)**
Interest accrued on impaired loans (Note 5)	37	56	36	36	**165**
At 30 June 2015	**508**	**1,144**	**522**	**16**	**2,190**
Individual impairment	101	666	159	-	**926**
Collective impairment	407	478	363	16	**1,264**
	508	**1,144**	**522**	**16**	**2,190**
Gross amount of loans in arrears	4,474	19,551	3,035	1,762	28,822

	Parent and Consolidated				
	Personal Loans 2014 $'000	Mortgage Loans 2014 $'000	Commercial loans 2014 $'000	Revolving Credit 2014 $'000	**Total 2014 $'000**
At 1 July 2013	610	413	613	53	**1,689**
Charge for the year	459	692	(483)	227	**895**
Recoveries	93	-	-	-	**93**
Amounts written off	(603)	(57)	(5)	(251)	**(916)**
Interest accrued	60	41	57	49	**207**
At 30 June 2014	**619**	**1,089**	**182**	**78**	**1,968**
Individual impairment	20	279	51	-	**350**
Collective impairment	599	810	131	78	**1,618**
	619	**1,089**	**182**	**78**	**1,968**
Gross amount of loans in arrears	3,857	15,662	2,520	2,728	24,777

Consolidated	Consolidated 2015	Parent 2015	Consolidated 2014	Parent 2014
(b) Maturity Analysis	**$'000**	**$'000**	**$'000**	**$'000**
Not longer than 3 months	3,987	3,987	2,107	2,107
Longer than 3 months and not longer than 12 months	6,053	6,053	4,223	4,223
Longer than 12 months and not longer than 5 years	89,108	89,108	86,579	86,579
Longer than 5 years	763,490	796,712	728,299	773,244
Total loans and advances to members	**862,638**	**895,860**	**821,208**	**866,153**
(c) Security dissection				
Secured by mortgage over Commercial property	79,200	79,200	37,392	37,392
Secured by mortgage over real estate	701,126	734,348	700,334	745,279
Partly secured by goods mortgage	57,848	57,848	72,850	72,850
Wholly unsecured	24,464	24,464	10,632	10,632
Total loans and advances to members	**862,638**	**895,860**	**821,208**	**866,153**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 14 LOANS AND ADVANCES TO MEMBERS (Continued)

The Group accepts a number of methods to value collateral for supporting loans. Real estate is valued utilising the purchase price of arms length residential sales, market appraisals from real estate agents (a lower loan to valuation ratio is applied) and a licensed panel of valuers where security is non residential, of high value or remotely located. Motor vehicles are valued by reference to an independent valuation guide.

It is impractical to provide a period end valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the loan to valuation ratio on loans secured by mortgages over real estate, on a portfolio basis is as follows:

		Consolidated	Consolidated
(d)	**Loan to valuation ratio**	**$'000**	**$'000**
	Loan to valuation ratio of less than 80%	664,546	615,129
	Loan to valuation ratio of more than 80% but mortgage insured	67,036	64,582
	Loan to valuation ratio of more than 80% but not mortgage insured	48,794	58,015
	Total loans secured by mortgage over real estate and commercial property	**780,376**	**737,726**

(e) Concentration of loans

- There were no loans to individual or related groups of members which exceed 10% of member funds in aggregate.
- There is no concentration of loans to individual members employed in a particular industry.
- Loans to members are concentrated solely in Australia and principally in the Central West, North and North West of NSW.

New South Wales	820,950	786,902
Queensland	29,498	25,636
Victoria	5,075	2,953
A.C.T.	2,363	2,661
N.T.	1,800	1,034
Western Australia	1,608	1,780
Tasmania	1,166	185
South Australia	178	57
Total	**862,638**	**821,208**

(f) Off-Balance sheet arrangements

The Group has arrangements with Integris Securitisation Services Pty Limited and Trinity Limited whereby it acts as an agent to promote loans on their behalf, for on sale to an investment trust. CMG also manages the portfolio on behalf of the trust. The amount of securitised loans under management as at 30 June 2015 is $1,837,498 (2014: $2,268,720).

(g) Self Securitisation

CMG has established the Trust to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Trust is in substance controlled by the Group. Accordingly, the Trust is consolidated into the Group financial statements. CMG sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by CMG. Whilst the rights to the underlying cash flows have been transferred, CMG has been appointed to service the loans and must continue to manage the loans as if it were the lender. Accordingly, the mortgage loans and associated financial liability from the Trust on transfer of the loans are recognised in the CMG's financial statements. The balance of securitised loans is $32,241,840 (30 June 2014: $43,665,460).

NOTE 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Shares in unlisted companies				
Indue Ltd	623	623	312	312
Australian Settlements Limited	2	2	2	2
Total available-for-sale financial assets	**625**	**625**	**314**	**314**

The fair value of the shareholding in Indue Ltd (Indue) and Australian Settlements Limited (ASL) is based on cost in prior years. In 2015 the Indue investment was revalued to fair value based on a Net Asset Valuation basis and recent rights issue share prices. The valuation takes into account dilution of the full take up rights issued in January 2015. These companies were created to supply services to credit unions & building societies, they do not have an independent business focus. These shares are held to enable CMG to receive essential banking services – refer to Note 41. The shares are unlisted and are not redeemable.

NOTE 16 HELD TO MATURITY FINANCIAL ASSETS

ADI debt securities	141,545	141,545	98,600	98,600
Total Held-to-maturity financial assets	**141,545**	**141,545**	**98,600**	**98,600**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

		Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
(a)	**Fixed assets**				
	Land & buildings				
	At valuation	3,369	3,369	3,361	3,361
	Less accumulated depreciation	(452)	(452)	(321)	(321)
		2,917	**2,917**	**3,040**	**3,040**
	Furniture, fittings & leasehold improvements				
	At cost	6,114	6,114	5,323	5,323
	Less accumulated depreciation	(3,356)	(3,356)	(2,867)	(2,867)
		2,758	**2,758**	**2,456**	**2,456**
	Office equipment				
	At cost	2,122	2,122	2,246	2,246
	Less accumulated depreciation	(1,579)	(1,579)	(1,418)	(1,418)
		543	**543**	**828**	**828**
	Motor vehicles				
	At cost	308	308	-	-
	Less accumulated depreciation	(10)	(10)	-	-
		298	**298**	**-**	**-**
	Leased plant & equipment				
	Capitalised leased assets	1,508	1,508	1,894	1,894
	Less accumulated amortisation	(1,287)	(1,287)	(1,424)	(1,424)
		221	**221**	**470**	**470**
	Net Fixed Assets	**6,737**	**6,737**	**6,794**	**6,794**

(b) **Movements in carrying amounts**

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

2015	Land & Buildings	Furniture, Fittings & Leasehold Improvements	Office Equipment	Motor Vehicles	Leased Plant and Equipment	**Total**
	Parent and Consolidated					
	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at the beginning of the year	3,040	2,456	828	-	470	**6,794**
Transfers	-	-	-	73	(73)	**-**
Additions	9	878	184	235	-	**1,306**
Disposals	-	-	(98)	-	(37)	**(135)**
Depreciation expense	(132)	(576)	(371)	(10)	(139)	**(1,228)**
Carrying amount	**2,917**	**2,758**	**543**	**298**	**221**	**6,737**

2014	Land & Buildings	Furniture, Fittings & Leasehold Improvements	Office Equipment	Motor Vehicles	Leased Plant and Equipment	**Total**
	Parent and Consolidated					
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	3,716	1,819	1,021	-	724	**7,280**
Transfers	(185)	-	(15)	-	-	**(200)**
Additions	466	1,143	218	-	102	**1,929**
Disposals	(831)	(1)	-	-	(65)	**(897)**
Depreciation expense	(126)	(505)	(396)	-	(291)	**(1,318)**
Carrying amount	**3,040**	**2,456**	**828**	-	**470**	**6,794**

(c) **Revaluations**

The revaluation was made in accordance with a policy to revalue land and buildings every three years and prior to sale. The Armidale head office property revaluation was based on an independent assessment by Knight Davidson Broun Property Advisory as at November 2012.

NOTE 18 INTANGIBLE ASSETS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Computer software				
At cost	2,015	2,015	1,710	1,710
Less accumulated amortisation	(1,586)	(1,586)	(1,279)	(1,279)
	429	**429**	**431**	**431**

Movements in carrying value	**Parent and Consolidated 2015 $'000**	**Parent and Consolidated 2014 $'000**
Computer software		
Balance at the beginning of the year	431	514
Transfers	-	14
Additions	305	196
Disposals	-	(1)
Amortisation expense	(307)	(292)
Carrying amount	**429**	**431**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19 DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
The balance comprises temporary differences attributable to:				
Deferred tax assets				
Plant, property and equipment	499	499	600	600
Doubtful debts	657	657	590	590
Employee leave benefits	729	729	736	736
Accrued expenses	37	37	31	31
Other	110	110	119	119
	2,032	2,032	2,076	2,076
Deferred tax liabilities				
AFS investment	(93)	(93)	-	-
Other	(11)	(11)	(250)	(250)
	(104)	(104)	(250)	(250)
Net deferred tax assets	1,928	1,928	1,826	1,826
Movements:				
Opening balance at 1 July	1,826	1,826	1,385	1,385
Credited/(charged) to the income statement	195	195	441	441
Credited/(charged) to other comprehensive income	(93)	(93)	-	-
Prior year adjustment	-	-	-	-
Closing balance at 30 June	1,928	1,928	1,826	1,826
Deferred tax assets to be recovered after more than 12 months	37	37	31	31
Deferred tax assets to be recovered within 12 months	1,995	1,995	2,045	2,045
	2,032	2,032	2,076	2,076
Deferred tax liabilities to be recovered after more than 12 months	104	104	249	249
Deferred tax liabilities to be recovered within 12 months	-	-	-	-
	104	104	249	249
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Total losses on capital account	-	-	54	54

The deductible temporary differences and tax losses do not expire under current tax legislation.

NOTE 20 LOSS RESERVE LOAN

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Preference share loss reserve loan	1,460	1,460	1,460	1,460
Total loss reserve loan	1,460	1,460	1,460	1,460

On 21 June 2006, CMG issued 115,000 preference shares, each having an issue price of $100. CMG obtained a further 31,000 shares through acquisitions bringing the total holding to 146,000 shares. These are all issued to the Australian Mutual T1 Capital Funding Trust No 1 (AMCFT).

CMG has also advanced a loan to AMCFT for the amount of $1,460,000. The principal amount of the preference share loss reserve loan is being treated, for accounting purposes, as an unpaid component of the $14.6 million preference share issue. In the event that the Group does not pay a dividend on the preference shares, the Group is not required to pay, or deliver to the holder of those shares, any amounts or benefits. However, a non-payment of a dividend by the Group may result in the Group not receiving, from the Trust, an amount of interest that it would otherwise have received on the preference share loss reserve loan.

These loans have been provided on the following terms and conditions:

- the loans are unsecured;
- interest is due and payable to the Group quarterly in arrears (by AMCFT), on the dates and at the rate specified in the loan agreements. The rate of interest payable on both loans is specified in the contracts as 0.125% above the applicable 90 day AFMA BBSW reference rate, as determined on the first day of each quarterly interest period;
- interest may not be received on the loans (on one or more of the quarterly interest payment dates) if the Group does not pay a dividend on the preference shares, and
- the AMCFT is not required to make any repayments of principal on the loans until the borrowers have fully satisfied certain payment obligations to third parties, as set out in the loss reserve loan agreements.

NOTE 21 DEPOSITS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Member call deposits (including members' shares)	543,709	543,709	465,755	465,755
Member term deposits	404,229	404,229	434,399	434,399
Total Deposits	**947,938**	**947,938**	**900,154**	**900,154**

(a) ***Maturity analysis***

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
At call	543,709	543,709	465,755	465,755
Not longer than 3 months	195,710	195,710	240,937	240,937
Longer than 3 months and not longer than 6 months	100,658	100,658	88,477	88,477
Longer than 6 months and not longer than 12 months	78,408	78,408	63,737	63,737
Longer than 12 months	29,453	29,453	41,248	41,248
	947,938	**947,938**	**900,154**	**900,154**

(b) ***Concentration of Deposits***

There are no groups that represent in excess of 10% of total liabilities.

There are no significant groups of members concentrated in any particular industry.

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
New South Wales	923,070	923,070	874,926	874,926
Queensland	15,299	15,299	15,521	15,521
Other	3,306	3,306	3,521	3,521
ACT	1,105	1,105	1,391	1,391
Western Australia	1,727	1,727	1,858	1,858
Victoria	1,248	1,248	1,358	1,358
South Australia	650	650	690	690
Tasmania	680	680	485	485
Northern Territory	853	853	404	404
	947,938	**947,938**	**900,154**	**900,154**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 22 TRADE AND OTHER PAYABLES

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Accrued interest payable	5,566	5,566	5,919	5,919
Prepaid income	752	752	33	33
Sundry creditors and accrued expenses	1,831	1,830	1,519	1,519
Clearing accounts	13,013	13,013	12,433	12,433
Payable to securitisation trust	-	-	-	524
Total trade and other payables	**21,162**	**21,161**	**19,904**	**20,428**

NOTE 23 PROVISIONS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Current				
Annual leave	929	929	1,091	1,091
Long service leave	1,141	1,141	974	974
Total current provisions	**2,070**	**2,070**	**2,065**	**2,065**
Non-current				
Make good	366	366	395	395
Long service leave	359	359	388	388
Total non current provisions	725	725	783	783
Total provisions	**2,795**	**2,795**	**2,848**	**2,848**

(a) ***Movements in provisions***

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

Make good provision	**Parent and Consolidated**
At 1 July 2014	395
Utilised	(56)
Raised during the year	27
At 30 June 2015	**366**

NOTE 24 FINANCE LEASE LIABILITIES

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Current lease liabilities	194	194	166	166
Non-current lease liabilities	20	20	198	198
Total Finance lease liabilities	**214**	**214**	**364**	**364**

NOTE 25 OTHER BORROWINGS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Loans assigned to the securitisation trust	-	32,242	-	43,666

NOTE 26 SUBORDINATED DEBT

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Balance at the beginning of the year	3,945	3,945	3,928	3,928
Redemption / Issuance	-	-	-	-
Amortise Fair Value	-	-	-	-
Write back of debt raising discount	17	17	17	17
Balance at end of year	**3,962**	**3,962**	**3,945**	**3,945**

In November 2012 the Group issued subordinated debt instruments with an aggregate issuance price of $4.0 million and for net proceeds (after transaction costs) of $3,917,113.

The subordinated debt instruments were issued on the following terms and conditions:

- issued in Australian dollars;
- unsecured debt instruments;
- may be redeemed by the Group subject to APRA approval;
- interest is payable quarterly in arrears at 90 day AFMA BBSW reference rate + 593 basis points;
- the instrument may be redeemed after the initial 5 years, and
- matures in 2022.

NOTE 27 PREFERENCE SHARES

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Balance at beginning of year	14,527	14,527	14,491	14,491
Write back of debt raising discount	36	36	36	36
Balance at end of year	**14,563**	**14,563**	**14,527**	**14,527**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 27 PREFERENCE SHARES (Continued)

The Group issued preference shares with an aggregate issuance price of $14.6 million and for net proceeds (after transaction costs) of $14,239,160. The preference shares were issued on terms consistent with the provisions of the Group's Constitution. Commensurate with the issuance of the preference shares to Australian Mutual T1 Capital Funding Trust No 1 (AMCFT), the Group also agreed to lend AMCFT an amount of $1.460 million (being 10% of the aggregate issuance price of the shares), on terms set out in a loss reserve loan agreement. Refer to Note 20.

These shares have been recognised as equity under the accounting standards. The effective nature of the share issuance transaction, when viewed together with the loss reserve loan advanced by the Group to AMCFT (refer to Note 20), is that the Group has issued preference shares with an aggregate issuance price of $14.6 million, but with the amount of the loss reserve loan constituting an unpaid component of the share issue. In the event that the Group does not pay a dividend on the preference shares, the Group is not required to pay, or deliver to the holder of those shares, any amounts or benefits.

The preference shares were issued on the following terms and conditions:

- unsecured and undated;
- 146,000 issued shares, each with an issue price of $100;
- are non-voting in the hands of the holder;
- cannot be redeemed by the holder;
- can be redeemed by the Group after 2016 subject to APRA approval;
- dividends may be payable, subject to available profits and Board approval, at the frequency, and at the rate and amount, as set out in the terms of issue (Refer Note 10(a));
- in respect of payment of dividends, rank ahead of member shares, and
- in the event of a winding-up, rank behind member shares and are unable to participate in any distribution of surplus.

NOTE 28 REDEEMABLE MEMBER SHARES

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Opening balance	630	630	572	572
Transfer from retained earnings	49	49	58	58
Closing balance	**679**	**679**	**630**	**630**

Under the *Corporations Act 2001* member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. No dividends were paid or are payable to the relevant holders.

NOTE 29 RESERVES

Other reserves

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Land and Buildings revaluation reserve	824	824	824	824
Available-for-sale investments revaluation reserve	219	219	-	-
Total other reserves	**1,043**	**1,043**	**824**	**824**
Movements:				
Land and Buildings revaluation reserve				
Opening balance	824	824	1,021	1,021
Adjustment to Prior Year error on revaluation of assets*	-	-	(197)	(197)
Balance at end of year	**824**	**824**	**824**	**824**

* There were assets held in the asset revaluation reserve as additions that had been included in the 2012 revaluation.

Available-for-sale investments revaluation reserve

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Opening balance	-	-	-	-
Additions	219	219	-	-
Balance at end of year	**219**	**219**	**-**	**-**

NOTE 30 RETAINED EARNINGS

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Opening balance	76,548	76,548	71,354	71,354
Net profit attributable to members	6,447	6,447	5,813	5,813
Transfer to member share capital account	(49)	(49)	(58)	(58)
Prior period corrections*	(36)	(36)	19	19
Dividends paid	(572)	(572)	(580)	(580)
Total retained earnings	**82,338**	**82,338**	**76,548**	**76,548**

* A review of the General Ledger balances relating to changes in accounting practices has resulted in the identification of errors in clearing accounts of $141,646, these have been corrected. The review also revealed overpayment of PAYG and General Withholding Tax payments to the ATO in prior years which resulted in a refund of $105,900.

NOTE 31 CONTRIBUTED EQUITY

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Opening balance	8,451	8,451	8,461	8,461
Adjustment for prior year error*	-	-	(10)	(10)
Balance at end of year	**8,451**	**8,451**	**8,451**	**8,451**

*There was an incorrect movement to contributed equity in 2012, this has been corrected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 32 REMUNERATION OF AUDITORS

	Consolidated	Parent	Consolidated	Parent
	2015	2015	2014	2014
Remuneration of the auditor for:	$	$	$	$
● PwC Statutory & Regulatory Audits	91,500	91,500	240,000	240,000
● KPMG Statutory & Regulatory Audits	146,500	146,500	-	-
● KPMG Securitisation Services	19,500	19,500	-	-
● PwC Taxation Services	4,000	4,000	32,000	32,000
● KPMG Taxation Services	10,000	10,000	-	-
Total remuneration of auditors	**271,500**	**271,500**	**272,000**	**272,000**

NOTE 33 STATEMENT OF CASH FLOWS

(a) Parent and Consolidated Reconciliations of cash

For the purposes of the statement of cash flows, cash includes cash on hand, cash equivalents and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

	Consolidated	Parent	Consolidated	Parent
	2015	2015	2014	2014
	$'000	$'000	$'000	$'000
Cash liquid assets	64,429	63,033	88,590	83,127
	64,429	**63,033**	**88,590**	**83,127**

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:
- customer deposits in and withdrawals from savings, money market and other deposit accounts;
- sales and purchases of maturing certificates of deposit;
- provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	6,447	6,447	5,813	5,813
Non-cash flows in profit after income tax:				
Net movement in revaluation of property, plant and equipment and investments	-	-	200	200
Amortisation of Intangilble Assets	307	307	344	344
Amortisation of Debt Raising facility	53	53	344	344
Depreciation	1,228	1,228	1,334	1,334
Net movement in Provision for loan impairment	222	222	279	279
Changes in assets and liabilities:				
(Increase) in member loans (net)	(41,208)	(29,485)	(30,442)	(75,387)
(Increase)/decrease in receivables	(647)	3,646	3,572	(1,137)
(Increase)/decrease in other assets	80	80	(985)	(985)
(Increase)/decrease in available-for-sale	(312)	(312)	-	-
(Increase)/decrease in deferred tax asset	43	43	(412)	(412)
Increase/(decrease) in provisions	(53)	(53)	99	99
Increase/(decrease) in deposits	47,784	47,784	(327)	(327)
Increase/(decrease) in income taxes payable	(43)	(43)	(188)	(188)
Increase/(decrease) in deferred tax liability	(145)	(145)	(30)	(30)
Increase/(decrease) in other borrowings (securitisation)	-	(11,424)	-	43,666
Increase/(decrease) in trade and other payables	1,258	733	(1,172)	(648)
Net cash provided by (used in) operating activities	**15,014**	**19,081**	**(21,571)**	**(27,035)**

(d) Non-cash Financing and Investing Activities
Property, plant and equipment

During the financial year the Group acquired plant and equipment with an aggregate fair value of Nil (2014: $98,951) by means of finance lease. These acquisitions are not reflected in the Statement of Cash Flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 34 MATURITY PROFILE OF FINANCIAL LIABILITIES

Monetary liabilities have differing maturity profiles depending on the contractual term. The following table shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal.

Consolidated	Less than 1 month	1 - 3 months	3 - 12 months	1-5 years	over 5 years	No Maturity	Total
2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	543,709	195,710	179,066	29,453	-	-	**947,938**
Trade and other payables	21,162	-	-	-	-	-	**21,162**
Lease Liabilities	31	30	133	20	-	-	**214**
Other Borrowings	-	-	-	-	-	-	**-**
Subordinated debt	-	-	-	3,962	-	-	**3,962**
Total Liabilities	**564,902**	**195,740**	**179,199**	**33,435**	**-**	**-**	**973,276**

Parent	Less than 1 month	1 - 3 months	3 - 12 months	1-5 years	over 5 years	No Maturity	Total
2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	543,709	195,710	179,066	29,453	-	-	**947,938**
Trade and other payables	21,161	-	-	-	-	-	**21,161**
Lease Liabilities	31	30	133	20	-	-	**214**
Other Borrowings	-	-	-	-	32,242	-	**32,242**
Subordinated debt	-	-	-	3,962	-	-	**3,962**
Total Liabilities	**564,901**	**195,740**	**179,199**	**33,435**	**32,242**	**-**	**1,005,517**

Consolidated	Less than 1 month	1 - 3 months	3 - 12 months	1-5 years	over 5 years	No Maturity	Total
2014		$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,936	152,215	41,248	-	-	**900,154**
Trade and other payables	19,904	-	-	-	-	-	**19,904**
Lease Liabilities	-	56	110	198	-	-	**364**
Other Borrowings	-	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	3,945	-	**3,945**
Total Liabilities	**485,659**	**240,992**	**152,325**	**41,446**	**3,945**	**-**	**924,367**

Parent	Less than 1 month	1 - 3 months	3 - 12 months	1-5 years	over 5 years	No Maturity	Total
2014		$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,937	152,214	41,248			**900,154**
Trade and other payables	20,428	-	-	-	-	-	**20,428**
Lease Liabilities		56	110	198	-	-	**364**
Other Borrowings	-	-	-	-	43,666	-	**43,666**
Subordinated debt	-	-	-	-	3,945	-	**3,945**
Total Liabilities	**486,183**	**240,993**	**152,324**	**41,446**	**47,611**	**-**	**968,557**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 35 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying values of cash, cash equivalents, liquid assets, and receivables due from other financial institutions approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans, advances and other receivables is net of specific provisions for impairment.

For variable loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The fair value for fixed rate loans have been discountered using cash flow modelling.

Lease Liabilities

The carrying value of lease liabilities are included at contracted value of the lease period.

Held to maturity Financial Assets

The fair value of held to maturity finacial assets was calculated using market rates.

As at 30 June 2015 and 2014 fair value approximates carrying value for all financial assets and financial liabilities.

NOTE 36 COMMITMENTS

To meet the financial needs of members, the Group enters into lease commitments. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Group.

(a) Finance lease commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These lease contracts expire within 5 years, with repayments payable monthly in advance. The Group has the option to purchase the plant and equipment at the expiry of the lease at an agreed residual value. There are no escalation clauses.

Commitments under finance leases at the reporting date are payable as follows:

Parent and Consolidated	**2015 $'000**	**2014 $'000**
Motor vehicles		
Not later than 1 year	194	141
Later than 1 year and not later than 5 years	20	198
Minimum lease payments	214	339
Computers		
Not later than 1 year	-	14
Minimum lease payments	-	14
Cash Dispensers		
Not later than 1 year	-	11
Minimum lease payments	-	11
Total lease commitments	214	364

Commitments on finance leases are determined at the inception of the lease, the discount rate used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease.

(b) Operating Lease Commitments

The Group has entered into commercial leases on certain commercial properties from which branches operate. These leases have a remaining term of between one and twelve years with a renewal option included at the end of the term of the lease in some of the agreements. There are no restrictions placed upon the Group by entering into these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 36 COMMITMENTS (Continued)

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Future minimum rentals payable under non-cancellable operating leases are as follows:				
Not longer than 1 year	1,328	1,328	1,443	1,443
Longer than 1 and not longer than 5 years	2,505	2,505	3,579	3,579
Longer than 5 years	-	-	109	109
Total operating lease commitments	**3,833**	**3,833**	**5,131**	**5,131**

(c) Undrawn Loan Commitments

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitment since most commitments to extend credit are contingent upon members maintaining specific standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Loans approved but not funded	9,315	9,315	4,619	4,619
Loan repayments in advance	60,879	60,879	56,731	56,731
Undrawn lines of commitment	35,853	35,853	31,380	31,380
	106,047	**106,047**	**92,730**	**92,730**

(d) Capital expenditure commitments

	Consolidated 2015 $'000	Parent 2015 $'000	Consolidated 2014 $'000	Parent 2014 $'000
Capital expenditure commitments not taken up in the financial statements	-	-	130	130
Payable less than one year	-	-	100	100

NOTE 37 CONTINGENT LIABILITIES

Financial Guarantees

Letters of guarantee commit the Group to make payments on behalf of customers in the event of a specific act, generally related to contract performance. Guarantees carry the same credit risk as loans. The guarantees committed to by the Group are secured by term deposit.

The amount guaranteed at balance date is limited to $952,199 (2014: $732,039).

NOTE 38 RELATED PARTY DISCLOSURES

(a) Directors

The names of the directors of the Group who have held office during the financial year are:

Graham Olrich - Chairman
Kate James - Director
Geoff Thompson - Director
Brian Goodall - Director
Alison Sheridan - Director
John O’Connor - Director
Michael Fenech - Director appointed (21/11/2014)
Michael Dennis - Director retired (21/11/2014)

(b) Remuneration of Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of that entity. Key management personnel has been taken to comprise the Directors and members of the Executive Management Team responsible for the day to day financial management and operational management of the Group.

The aggregate compensation of Key Management personnel during the year comprising amounts paid or payable or provided for was as follows:

	Consolidated and Parent 2015 $	Consolidated and Parent 2014 $
● short-term employee benefits	2,248,407	2,134,731
● termination benefits	-	-
● superannuation contributions	164,144	153,387
Total remuneration of key personnel	**2,412,551**	**2,288,118**

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

(c) Loans to Key Management Personnel

All loans disbursed to Key Management personnel were approved on the same terms and conditions, which are applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with Key Management personnel.

Key Management personnel who are not directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management personnel. There are no loans that are impaired in relation to the loan balances with close family relatives of directors and Key Management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 38 RELATED PARTY DISCLOSURES (Continued)

(c) Loans to Key Management Personnel (Continued)

	Consolidated and Parent 2015 $	Consolidated and Parent 2014 $
(i) The aggregate value of loans to Key Management personnel as at balance date amounted to:	3,967,312	3,527,968
(ii) The total value of revolving credit facilities to Key Management personnel as at balance date amounted to:	49,500	136,000
(iii) Less amounts drawn down and included in total loans above.	(30,393)	(55,852)
Net balance available	**19,107**	**80,148**
Fixed term loans disbursed to Key Management personnel during the year.	887,000	1,557,505
Average balance of revolving credit facilities.	29,530	75,050
Total loans disbursed to Key Management personnel	**916,530**	**1,632,555**
Interest and other revenue earned on loans and revolving credit facilities to Key Management personnel.	170,867	160,925
Provision for doubtful debts of Key Management personel.	-	-
(d) Deposits from Key Management Personnel		
Total value of term and savings deposits from Key Management personnel .	653,706	897,622
Total interest paid on deposits to key management personnel.	13,575	26,050

Directors have received interest on deposits with the Group during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Group.

The Group's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

(e) Other transactions of Key Management Personnel

Mr. Kevin Dupé supplied rental properties for an amount of $Nil (2014: $12,904). The services are on the same terms and conditions as other contracted services of the Group.

There are no benefits paid or payable to the close family members of the Key Management personnel.

Apart from the above transactions, there are no service contracts to which Key Management personnel or their close family members are an interested party.

NOTE 39 DEPENDENCY

The Group has a dependency on the following suppliers of service:

(a) Ultradata

This entity provides and maintains the core banking software utilised by the Group.

(b) Thomas Noble Russell

This entity provides Internal Audit services utilised by the Group.

(c) Australian Settlements Limited (ASL)

This entity provides the Group with services to carry out Real Time Gross Settlements (RTGS), High Value Payment, ATM, Bpay, Card, Chequing, Direct Entry, EFTPOS Acquiring and Fraud Solution services, including provision of an Exchange Settlement Account.

(d) ASX Austraclear

This entity provides the Group with services to carry out Real Time Gross Settlements (RTGS).

(e) ANZ

This entity provides the Group with services in the form of agency clearing and enhanced cheque clearing settlement.

(f) Transaction Solutions Limited (TAS)

This entity provides the Group with facilities management services for production and disaster recovery across information and communication technologies.

(g) First Data Resources Australia Ltd

This entity provides the Group with transaction processing and switching services.

(h) Giesecke & Devrient Australasia Pty Ltd (G&D)

This entity provides chip and magnetic stripe cards and associated services for use by members of the Group.

(i) The Australian Postal Corporation

This entity provides agency banking services through Bank@Post to members of the Group.

NOTE 40 EVENTS AFTER BALANCE SHEET DATE

On 15 July 2015 a second issue (first issue: Sept 2013) was settled between Community Mutual Limited and the Securitisation Trust (refer Note 14(g)). The result of this will have the following effect on the securitisation Trust:

	$
Assets	
Increase in cash	817,226
Increase in loan balances	72,255,852
Liabilities	
Increase in A Notes	76,877,598
Decrease in B Notes	(3,800,000)

DECLARATION BY DIRECTORS

The Directors of Community Mutual Ltd (the Group) declare that in the opinion of the Directors:

(a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and *Corporations Regulations 2001;*

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

(c) Note 2(b) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.

Graham Olrich
Director

Geoff Thompson
Director

2 October 2015

Independent auditor's report to the members of Community Mutual Ltd

Report on the financial report

We have audited the accompanying financial report of Community Mutual Ltd (the Company), which comprises the statements of financial position as at 30 June 2015, and statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Community Mutual Ltd is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Company's and the Group's financial positions as at 30 June 2015 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(b).

KPMG

KPMG

Michael O Connell
Partner

Sydney
2 October 2015

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